ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Peterborough Distribution Inc. for leave to amalgamate with Peterborough Utilities Services Inc., (the amalgamated corporation being referred to herein as "AmalCo"), made pursuant to section 86(1)(c) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Peterborough Distribution Inc. and AmalCo, made pursuant to section 18 of the *Ontario Energy Board Act, 1998*, for leave to transfer: (a) PDI's distribution licence to AmalCo; and (b) PDI's rate order to AmalCo.

AND IN THE MATTER OF an application by AmalCo for leave to sell its distribution system to 1937680 Ontario Inc., made pursuant to section 86(1)(a) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Peterborough Distribution Inc. seeking to include a rate rider in the current[1] OEB-approved rate schedules of Peterborough Distribution Inc. to give effect to a 1% reduction relative to their Base Distribution Delivery Rates (exclusive of rate riders), made pursuant to section 78 of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by AmalCo and 1937680 Ontario Inc., made pursuant to section 18 of the *Ontario Energy Board Act, 1998*, for leave to transfer: (a) AmalCo's distribution licence to 1937680 Ontario Inc.; and (b) AmalCo's rate order to 1937680 Ontario Inc.

[1] Current rates as of the Closing Date of the transaction based upon the revenue requirement approved in EB-2017-0266.

AND IN THE MATTER OF an application by 1937680 Ontario Inc. for leave to dispose of its distribution system to Hydro One Networks Inc., made pursuant to section 86(1)(a) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by 1937680 Ontario Inc. seeking cancellation of its distribution licence, made pursuant to section 77(5) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Hydro One Networks Inc. seeking an order to amend its distribution licence, made pursuant to section 74 of the *Ontario Energy Board Act, 1998*, to serve the customers of 1937680 Ontario Inc.

AND IN THE MATTER OF an application by 1937680 Ontario Inc. for leave to transfer its rate order to Hydro One Networks Inc., made pursuant to section 18 of the *Ontario Energy Board Act, 1998.*

AND IN THE MATTER OF an application by Hydro One Networks Inc. seeking an order to amend the Specific Service Charges in 1937680 Ontario Inc.'s transferred rate order, made pursuant to section 78 of the *Ontario Energy Board Act, 1998.*

APPLICATION

1.0 INTRODUCTION

Peterborough Distribution Inc. ("PDI") is a wholly owned subsidiary of the City of Peterborough Holdings Inc. ("CoPHI"). Peterborough Utilities Services Inc. ("PUSI") is also a wholly owned subsidiary of CoPHI. PUSI provides human resources, office facilities, equipment and related services to PDI. CoPHI is a holding company, currently wholly owned by The Corporation of the City of Peterborough (the "City"). A corporate organizational chart of the City is provided as **Attachment 1**.

PDI's distribution system serves approximately 37,000 Residential, General Service and Large Use customers in the PDI service territory (see **Attachment 2** for further customer details).

Hydro One Inc. ("HOI") is a corporation incorporated under the laws of the Province of Ontario and is the parent company of 1937680 Ontario Inc. ("1937680") and Hydro One Networks Inc. ("Hydro One"). 1937680 is a corporation incorporated under the laws of Ontario, and was established to own and operate the distribution assets of PDI until such assets can be integrated with Hydro One's distribution business. Hydro One is a licenced distributor regulated by the Ontario Energy Board in accordance with the *Ontario Energy Board Act, 1998* (the "Act"). A corporate organizational chart of HOI is provided as **Attachment 3**.

Hydro One's distribution system serves approximately 1.3 million customers in its service territory (see **Attachment 4** for further customer details).

2.0 OVERVIEW OF APPLICATION

On July 31, 2018, the City, CoPHI, PDI, PUSI, 1937680 and HOI entered into an Asset Purchase Agreement (the "Agreement"), the effect of which is that PDI and PUSI (the "Vendor") have agreed to sell, and 1937680 (the "Purchaser") has agreed to purchase, the business and distribution assets of PDI. The purchase price is $105.0 million for the net assets of the business[2]. The Agreement contemplates the closing of the transaction on the first business day of a month and at least 90 days following the Parties' receipt of all required approvals, including Ontario Energy Board ("the Board" or "OEB") approval of this Application.

Subsequent to closing, 1937680 will own and operate the distribution system for a period of up to 18 months while the current PDI systems are integrated into Hydro One's operations. Upon completion of the integration process, all of the distribution assets will be transferred from 1937680 to Hydro One.

The Agreement (see **Attachment 5**) contemplates the following items in addition to the sale of the assets:

a) PDI will apply to the OEB for approval to include a negative rate rider to PDI's electricity rates[3] to reduce Base Distribution Delivery Rates by one per cent across residential, general service and Large User rate classes, and to have such

[2] As contemplated in the asset purchase agreement, the final purchase price is subject to closing adjustments.
[3] This refers to PDI's base distribution delivery rates as approved in EB-2017-0266 and adjusted for the move to a monthly fully fixed charge ("Move to Fixed"), as contemplated in the Report of the Board "A New Distribution Rate Design for Residential Electricity Customers" issued April 2, 2015 under proceeding EB-2012-0410. These rates are hereafter, referred to as PDI's "Base Distribution Delivery Rates".

reduced rates apply for the next five years (see **Exhibit A, Tab 2, Schedule 1, Section 2.0** for further detail);

b) The Purchaser or its affiliates shall offer certain employees of PDI and PUSI continued employment in the City of Peterborough for a period of at least one year;

c) The Purchaser shall establish an advisory committee (the "Advisory Committee") to provide a forum for communication between the Purchaser and the community;

d) After closing, the community will be eligible for Hydro One's community programs; and

e) The purchase price is subject to adjustment, within 90 days following closing, for working capital, net fixed assets, and regulatory accounts, as defined in the Agreement.

The resolutions that give way for the execution of the Agreement are provided as **Attachment 6**.

This Application adheres to the principles of the "*Report of the Board on Rate-Making Associated with Distributor Consolidation*" issued on March 26, 2015 ("Amended Report"). The Amended Report provides Board policy pronouncements pertaining to rate-making for associated distributor consolidation transactions. These include: (1) an extension to the rate rebasing deferral period to a duration of up to ten years after the close of the transaction; (2) a requirement for use of an earning sharing mechanism ("ESM") where an applicant seeks a deferral period greater than five years and up to ten years; (3) utilization of the incremental capital investment module ("ICM") by the consolidating entity during the rate rebasing period; and (4) clarifications as to which incentive plan would apply to distributors who are party to a merger, amalgamation, acquisition, and divestiture ("MAAD") transaction during any deferred rebasing period. Further guidance was provided by the Board with the release of the "*Handbook to Distributor and Transmitter Consolidations and Filing Requirements for Consolidation Applications*" (the "Handbook") released on January 19, 2016. PDI and Hydro One have considered the intent of these reports in developing this Application.

The proposed Transaction will both benefit and protect ratepayers:

- Peterborough service area ratepayers will receive the benefit of: (i) a reduction of 1% in their Base Distribution Delivery Rates in years 1 to 5; (ii) a rate increase of less than inflation in years 6 to 10 (inflation less productivity stretch factor); and (iii) a further guaranteed ESM amount of $1.8 million in years 6 to 10. In addition customers will benefit in the longer term (Year 11 forward) from the lower ongoing cost structures.
- The implementation of a guaranteed ESM protects PDI ratepayers from the risk of Hydro One failing to achieve the forecast level of synergy.

3.0 OEB APPROVAL REQUESTS

The following OEB approvals are requested under Sections 86(1)(c), 86(1)(a), 78, 18, 77(5), and 74 of the Act:

- PDI is applying to the Board, pursuant to section 86(1)(c) of the Act, for leave to amalgamate with PUSI.
- If the Board grants PDI leave to amalgamate with PUSI, then:

   - PDI and the the amalgamated corporation (i.e AmalCo) request that the Board, pursuant to section 18 of the Act, grant PDI leave to transfer its distribution licence to AmalCo.
   - PDI and AmalCo request that the Board, pursuant to section 18 of the Act, grant PDI leave to transfer its rate orders to AmalCo.
- AmalCo is applying to the Board, pursuant to section 86(1)(a) of the Act, for leave to sell its distribution system to 1937680.
- If the Board grants PDI leave to amalgamate with PUSI, and grants AmalCo leave to sell the distribution system to 1937680, then:
   - PDI requests that the Board, pursuant to section 78 of the Act, include a rate rider applied to PDI's current OEB-approved rate schedules to give effect to a 1% reduction relative to Base Distribution Delivery Rates applicable at the time of closing.[4]
   - AmalCo and 1937680 request that the Board, pursuant to section 18 of the Act, grant AmalCo leave to transfer its distribution licence to 1937680.[5]
   - AmalCo and 1937680 request that the Board, pursuant to section 18 of the Act, grant AmalCo leave to transfer its rate orders in existence at the time of closing to 1937680.
- 1937680 is applying to the Board, pursuant to section 86(1)(a) of the Act, for leave to dispose of its distribution system to Hydro One.
- If the Board grants leave for 1937680 to dispose of the distribution system to Hydro One, then:
   - 1937680 requests, pursuant to section 77(5) of the Act, that its electricity distribution licence be cancelled.

[4] This rate rider is proposed to be implemented during the first five (5) years of the deferred rebasing period.
[5] To assist the Board in assessing the request to transfer PDI's distribution licence, Attachment 21 provides the Board with all of the information required of new distribution licence applicants (in the form of the Board's licence application form).

  - Hydro One requests, pursuant to section 74 of the Act, that Hydro One's distribution licence be amended such that Appendix B, Tab 1 of Schedule 1 include; *The City of Peterborough, the Township of Asphodel-Norwood, the former Village of Lakefield and locations outside the Village of Lakefield* as at the date of closing, as described in Schedule 1 of PDI's current distribution licence.
  - 1937680 and Hydro One request that the Board, pursuant to section 18 of the Act, grant 1937680 leave to transfer its rate order in existence at the time of the disposition to Hydro One.
  - Hydro One requests that the Board, pursuant to section 78 of the Act, update PDI's current Specific Service Charges to align with the Specific Service Charges Schedule that are, or will be, approved by the OEB for Hydro One Distribution.
- If the Board grants the relief requested above, Hydro One is seeking approval to establish a new deferral account to record the costs of the ESM refund amount for future disposition. Principal amounts recorded in this account will be added annually, and those balances will attract interest calculated consistent with the Board's approved methodology using the Board's Prescribed Interest Rates.

4.0 OTHER APPROVALS AND CONSIDERATIONS

- 1937680 and Hydro One are applying for approval to defer the rate rebasing of PDI for ten years from the date of closing of the proposed transaction, consistent with the new Board policy set out in the Amended Report.
- 1937680 and Hydro One are applying for approval to continue to track costs to the regulatory asset accounts currently approved by the OEB for PDI and to seek disposition of their balances at a future date. See **Exhibit A, Tab 2, Schedule 1, Section 3** for further details.

- All PDI rate riders will continue as per PDI's existing rate schedules until expiry.
- 1937680 and Hydro One are applying for approval to utilize US GAAP for PDI financial reporting.
- Hydro One is applying for approval to use an ESM to operate during the extended deferred rebasing period (i.e., years six to ten), consistent with page 16 of the Handbook. Hydro One's proposed ESM is described in **Exhibit A, Tab 3, Schedule 1**.
- Hydro One is applying to use an Incremental Capital Module ("ICM"), should it be required for the former PDI service territory, consistent with the OEB's policies for an ICM as described on page 17 of the Handbook.
- During the extended deferred rebasing period, the rates of customers of PDI will be set using the Price Cap Index adjustment mechanism as described in **Exhibit A, Tab 2, Schedule 1**.

The Agreement, in addition to the approvals identified in this Application, requires receipt of a *Competition Act* (Canada) clearance from the Commissioner of Competition.

This transaction was completed on a commercial basis between a willing seller and a willing buyer. It is a demonstration of the types of benefits that can be realized from voluntary consolidation, and it will deliver cost synergies and economy of scale savings contemplated by the Ontario Distribution Sector Review Panel. PDI, AmalCo, 1937680 and Hydro One submit that the evidence supports approval of the Application, as the transaction will have a positive or neutral effect on the attainment of the OEB's statutory objectives, and the customers of both PDI and Hydro One will be held harmless. This is achieved as a result of the following:

- The Application has no adverse impact on the price, adequacy, reliability and quality of electricity service of PDI or Hydro One;

- The Application has no adverse impact on the promotion of electricity conservation and demand management, the use and generation of electricity from renewable energy sources, and it facilitates the implementation of a smart grid in Ontario;
- Hydro One is committed to promoting the education of consumers through community involvement and customer consultation for future rate-setting applications;
- The implementation of Hydro One's ESM benefits and protects PDI customers during the extended deferred rebasing period by guaranteeing $1.8 million, established on an estimate of savings from the transaction. The guaranteed amount of $1.8 million corresponds to approximately 13% of PDI's current Board-approved revenue requirement;
- The transaction eliminates the duplication of effort between Hydro One and PDI and results in a single electricity service provider for the Peterborough area. This will ultimately create downward pressure on cost structures across both Hydro One and PDI service areas.

PDI, AmalCo, 1937680 and Hydro One respectfully request a written hearing for this Application.

PDI, AmalCo, 1937680 and Hydro One request that a copy of all documents filed with the Board be served on the Applicant and the Applicants' counsel, as follows:

a) The Applicants, PDI:and AmalCo:

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IMPACT OF THE PROPOSED TRANSACTION

1.0 INTRODUCTION

This exhibit provides HOI's impact assessment of the proposed transaction and also provides a discussion of the impact of the transaction on PDI's and Hydro One's future operations in relation to the OEB's statutory objectives. It elaborates on how the transaction promotes economic efficiency and cost-effectiveness in the distribution sector and also discusses other related matters pertaining to this transaction.

2.0 IMPACT OF THE PROPOSED TRANSACTION

The *Handbook to Electricity Distributor and Transmitter Consolidations* (the "Handbook"), Schedule 2 Filing Requirements requires applicants to provide evidence to demonstrate the impact of the proposed transaction with respect to the OEB's first two statutory objectives. The Handbook recognizes that there are other instruments and tools that will ensure that the OEB's remaining statutory objectives, relating to conservation and demand management, implementation of smart grid and the use and generation of electricity from renewable resources, will not be adversely impacted by a consolidation. Therefore, the Board has determined that there is no need or merit in further review of these statutory objectives as part of a consolidation transaction[1].

2.1 Objective 1 – Protect Consumers with Respect to Price and Adequacy, Reliability and Quality of Electricity Service

This Application demonstrates that the ongoing cost structures following the closing of the transaction will result in expected ongoing operations, maintenance and

[1] Handbook, Page 6

administrative ("OM&A") savings of approximately $7.8 million per year and reductions in capital expenditures of approximately $1.3 million per year (based on the level of savings achieved by Year 10). These efficiencies represent an ongoing OM&A reduction of approximately 65% of PDI's Year 10 status quo forecast. This will result in downward pressure on PDI's cost structures relative to the status quo and will be realized while maintaining adequacy, reliability and quality of electricity service. These savings are expected to continue beyond the 10-year deferred rebasing period. Table 1 illustrates the projected cost savings from this transaction. How these savings will be attained is further discussed in Section 2.2.

Table 1 savings, illustrated below, are based on a comparison of PDI's operations as a stand-alone distribution company relative to the costs of operating PDI's service territory once it is integrated within Hydro One. Year 1 in the table represents a 12 month period post-closing of the transaction. This period is assumed to most closely align with calendar year 2020.

Table 1: Projected Cost Savings - $M

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
OM&A										
Status Quo Forecast	9.7	9.9	10.1	10.3	10.6	10.8	11.1	11.4	11.7	12.0
Hydro One Forecast	8.7	4.5	4.3	3.8	3.9	3.9	4.0	4.1	4.2	4.2
Projected Savings	**1.0**	**5.4**	**5.8**	**6.5**	**6.7**	**6.9**	**7.1**	**7.3**	**7.5**	**7.8**
Capital										
Status Quo Forecast	6.2	6.4	6.0	6.2	6.4	6.5	6.7	6.9	7.0	7.2
Hydro One Forecast	6.0	7.5	5.4	5.1	5.7	7.1	5.4	5.6	5.7	5.9
Projected Savings	**0.2**	**(1.1)**	**0.6**	**1.1**	**0.7**	**(0.6)**	**1.3**	**1.3**	**1.3**	**1.3**

Hydro One's 2017 OM&A cost to serve customers in its high density residential rate class (UR) is $179/customer[2], compared to PDI's cost of $241/customer[3]. Hydro One's urban rate class covers areas containing 3,000 or more customers with a density of at least 60 customers per circuit kilometre. As such, it is reasonable to believe that if this transaction proceeds, Hydro One will be able to serve PDI's service area, which has approximately 37,000 customers and a density of 65 customers per km of line, at a cost that is comparable to Hydro One's UR rate class.

Price of Electricity Service

Hydro One's application provides substantial rate benefits to former customers of PDI during the deferred rebasing period. Firstly, rate base in the PDI territory has increased since PDI's rates were last reset. There has been $22.7 million in capital expenditures incurred between 2014 and 2017, and additional capital expenditures are forecast to continue throughout the deferred rebasing period. Hydro One's proposal absorbs this 16-year (2014-2029) in-service capital increase thereby shielding PDI ratepayers from substantive rate increases they would have otherwise experienced under the status quo (absent this transaction). Secondly, Hydro One is foregoing any IRM rate increases in years one through five as permitted under the OEB's consolidation policy, resulting in the benefit of lower rates throughout the deferred rebasing period.

The acquired PDI customers will have rates adjusted during the deferred rebasing period as discussed below.

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[2] EB-2016-0081, 2017 Draft Rate Order Filed November 18, 2016.

[3] Average value for all PDI customers as shown in the 2017 OEB Yearbook. For the PDI residential class (which comprises ~ 90% of their customers), the cost to serve is estimated to be $187/customer, calculated by dividing the forecast OM&A cost for the residential class, (taken from PDI's cost allocation model supporting the 2013 rates rebasing [EB-2012-0160], filed on August 14, 2013) by the forecast residential customer total in that application. I.e. $5,938,842 / 31,758 = $187 per residential customer.

Rate-setting in Years 1-5 of the Deferred Rebasing Period

PDI's current Base Distribution Delivery Rates[4] will be reduced by 1%, for residential, general service and large use customers of PDI, and frozen for a period of five years from closing of this transaction[5].

Table 2 shows the customer bill impact of this reduction applied to the average consumption levels for residential, general service and large use rate classes. The impacts on total bill as well as distribution rates are provided. The rate reductions vary slightly from the 1% reduction as a result of rounding from using two decimal places for fixed charges and four decimal places for volumetric charges, as prescribed by the Board, and also due to the fact that the 1% rate reduction does not apply to other existing rate riders or LV rates which are also included in the table below under distribution delivery rates.

Table 2: Bill Impacts for PDI Customers[6]

Rate Class[7]	**Change in Distribution Delivery Rates**	**Change in Total Bill (%)**
Residential	(0.98%)	(0.22%)
General Service less than 50 kW	(1.00%)	(0.20%)
General Service 50 to 4,999 kW	(0.91%)	(0.04%)
Large Use	(0.83%)	(0.02%)

[4] As defined in Exhibit A, Tab 1, Schedule 1, page 4, footnote 3.
[5] A negative rate rider that will result in a 1% reduction to PDI's Base Distribution Delivery Rates, as approved by the OEB at the time of closing, will be implemented over that term.
[6] Based on EB-2017-0266 OEB-Approved Rates
[7] The proposed 1% rate reduction only applies to Residential, General Service and Large Use rate classes.

Detailed calculations of customer bill impacts and the determination of the rate riders can be found in **Attachment 7** and **Attachment 8**. For the purpose of this application, Hydro One proposes the residential variable rider, to effect the 1% reduction between years one to five of the deferral period, be rounded to five decimal places. This is an exception to the OEB's general rule, of four decimal places. The five decimal places will facilitate Hydro One providing a rider to benefit PDI customers. The other riders will continue to be rounded to four decimal places, per OEB policy[8]. The proposed rate schedules, which include the requested rate rider for the area currently served by PDI, effective after closing, are filed as **Attachment 9.**

The cost of providing this rate rider (approximately $135,500 per year[9]) will be recovered from synergies that are generated from consolidating PDI's operations into Hydro One. This negative rate rider will be discontinued at the end of Year 5 of the deferral period.

PDI's residential distribution rates will continue to be adjusted to move to a fully fixed distribution charge, per OEB Policy "*A New Distribution Rate Design for Residential Customers*" (EB-2012-0410). In EB-2015-0097, the OEB approved a four-year transition period for PDI to move to fixed rates, beginning in 2016 and is expected to culminate in fully fixed residential rates by the end of 2019.

All other PDI tariffs will remain as approved in PDI's last rate order[10]; with the exception of Specific Service Charges ("SSCs") which Hydro One is seeking approval to amend to align with the SSCs as approved, or will be approved[11], by the OEB for Hydro One

[8] Hydro One asked the Board to approve a variable rate rider to five decimal places in EB-2017-0049 Exhibit H1 Tab 1 Schedule 1
[9] Based on the Residential, General Service and Large Use rate class revenues from the OEB 2017 Yearbook for PDI (totaling ($13,555k) multiplied by 1%
[10] EB-2017-0266
[11] Hydro One has proposed updates to its SSCs in its 2018-2022 distribution rate filing [EB-2017-0049], currently before the OEB.

Distribution, upon integration of 1937680's assets into Hydro One.

Specific Service Charges

Amending PDI's rate schedules to reflect Hydro One's SSCs is the most reasonable and cost-effective solution. This approach simplifies and reduces the cost of billing system modifications and/or manual workarounds to accommodate different charges, reduces call centre staff training and provides for a consistent customer experience. As noted in Section 3.0 of Exhibit A, Tab 1, Schedule 1, the Hydro One SSCs would apply after transfer of the distribution assets from 1937680 to Hydro One.

Rate Riders

Table 3 below is a (i) summary of PDI's current Rate Riders, and (ii) 1937680's and Hydro One's request for those applicable rate riders.

Table 3: Proposed updates to PDI's Rate Riders

Current PDI Rider Description	Proposed Rider Description or Amendments in Proposed 2020 Rate Schedules
Smart Metering Entity Charge[12] – effective until December 31, 2022	Will remain in effect until December 31, 2022
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 *Applicable only for Non-RPP Customers*	This Rider expires in April, 2019. It will be deleted if the transaction closes after this date.
Rate Rider for Disposition of	This Rider expires in April, 2019. It will be

[12] The Smart Metering Entity Charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. Decision and Order, EB-2017-0290, March 1, 2018

Deferral/Variance Accounts (2018) - effective until April 30, 2019	deleted if the transaction closes after this date.
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 *Applicable only for Class B Customers*	This Rider expires in April, 2019. It will be deleted if the transaction closes after this date.
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019 *Applicable only for Non-Wholesale Market Participants*	This Rider expires in April, 2019. It will be deleted if the transaction closes after this date.

Rate-setting in Years 6-10 of the Deferred Rebasing Period

Beginning in year six through to year ten, rates for the former customers of PDI will be set using the Price Cap adjustment mechanism, as outlined in the Board's Report: "*Rate Making Associated with Distributor Consolidation*" issued March 26, 2015 ("Amended Report"). At the commencement of year six, Hydro One will apply the OEB's Price Cap Index formula utilizing the former PDI's efficiency cohort factor (0.45%). This will be anchored to then current PDI Base Distribution Delivery Rates, and applied annually.

Rate-setting Post the Deferred Rebasing Period (Future Cost Structures)

The OEB, in Hydro One's EB-2016-0276 decision, indicated that it wants information on future cost structures that will underpin rate-setting for acquired customers in the post-deferral period. As a result, Hydro One is filing evidence on potential rate setting mechanisms in years 11 and beyond (see **Exhibit A, Tab 4, Schedule 1)**.

Earnings Sharing Mechanism ("ESM")

Since Hydro One is requesting a 10-year deferred rebasing period, Hydro One will also be implementing an ESM, in accordance with the Amended Report. As outlined in the Handbook, the ESM as set out in the Amended Report may not achieve the intended objectives for all types of consolidation proposals. Hydro One is therefore proposing an ESM that protects PDI customer interests during the extended deferred rebasing period. Further details on Hydro One's proposed ESM are found in **Exhibit A, Tab 3, Schedule 1**.

Hydro One Legacy Customers

The proposed transaction also protects Hydro One's existing legacy customers. On March 31, 2017, Hydro One filed a five-year Custom Incentive Regulation (EB-2017-0049) application for rates effective from 2018 through to 2022, which is currently awaiting a Board decision/approval. That application did not include any costs associated with serving the customers of PDI. Costs to serve PDI customers will not be included in any Hydro One revenue requirement application until the deferred rebasing period has expired.

Adequacy, Reliability and Quality of Electricity Service

If the relief requested in this Application is granted by the OEB, PDI's regulated distribution assets will be transferred to, and owned by 1937680. The subsequent transfer of the distribution system from 1937680 to Hydro One Networks Inc. is expected to occur up to 18 months thereafter. Once integration is complete, the assets will be integrated with, and form part of Hydro One's existing distribution system. This change in control is expected to maintain or improve adequacy, reliability and quality of service.

Hydro One endeavors to maintain or improve reliability and quality of electricity service for all of its customers. Hydro One currently has existing assets serving many customers in close proximity to the current PDI service territory (please see map filed as **Attachment 10**), making Hydro One a natural consolidator for PDI. As part of the proposed consolidation, Hydro One will retain local knowledge from existing PDI staff. This local knowledge, in coordination with Hydro One's regional operations and staff, will allow Hydro One to maintain or improve reliability.

The existing reliability metrics for PDI and Hydro One's local metrics are provided in Table 4 below. Hydro One has used distribution stations (Lily Lake D.S., Springville D.S., Burnham D.S., Bensfort Bridge D.S.)[13] in the vicinity of PDI to compare with PDI's metrics provided in the OEB Yearbook.

Table 4: Reliability Metrics*

	2014	2014	2015	2015	2016	2016	2017	2017
	Hydro One	**PDI[14]**	**Hydro One**	**PDI**	**Hydro One**	**PDI**	**Hydro One**	**PDI**
Duration (SAIDI)	5.35	0.90	5.78	3.59	2.09	2.01	3.72	2.22
Frequency (SAIFI)	2.01	0.83	1.49	2.81	0.89	2.34	1.18	2.53

*Excluding LOS[15]

Based on recent reliability statistics, Hydro One customers in the vicinity of the City of Peterborough experienced a level of service in terms of duration and frequency of interruptions similar to the level experienced by PDI customers. In terms of duration of outages, PDI performed better in all years. In terms of frequency of outages. Hydro One

[13] The location of the four Hydro One distribution stations are identified on the Hydro One's Distribution Service Area Map provided in Attachment 11.
[14] Data-source is the OEB Yearbook
[15] Loss of Supply ("LOS") interruptions attributable to assets that are not part of the Hydro One Distribution System or the PDI Distribution System

performed better than PDI in all years except 2014. Hydro One anticipates that PDI's service territory reliability may in fact improve with the combination of pre-existing Hydro One and former PDI resources optimized for the broader Peterborough area.

In the long term, PDI customers are expected to benefit from operational efficiencies expected by having the PDI assets integrated into Hydro One's larger distribution system. Scale efficiencies are expected in the areas of operating and maintaining the distribution system, planning capital replacement and the overhead and management functions. The foregoing is discussed further in Section 2.2. Hydro One is committed to ensuring that quality and reliability of the former PDI customers' electricity service will not be adversely impacted as a result of this transaction. As the Board indicated in the EB-2016-0276 Board Decision, Hydro One will be required to report on reliability and quality of service metrics, thus if there is a risk of harm to Hydro One's customers, the OEB's reporting requirements will make this apparent and the OEB will ensure it will be addressed.

Other Items

There are no net metering customers in the current PDI service area. Therefore, the net metering thresholds as a result of this consolidation will remain unchanged.

1937680 has agreed to establish an Advisory Committee to provide a forum for communication between 1937680 and the community. Under the terms of the Agreement, the City may appoint two representatives to the Advisory Committee, and 1937680 will appoint one senior Hydro One employee and one local Hydro One employee.
AmalCo will retain the current PDI Operating and Administration centre on Ashburnham Drive. 1937680 has agreed to enter into a five-year lease agreement with PUSI to lease

this centre. Conditional on the completion of the sale, Hydro One intends to commence construction, during the lease period, of a permanent operations and administration building within the City of Peterborough.

2.2 Objective 2 – Promote Economic Efficiency and Cost Effectiveness and Facilitate the Maintenance of a Financially Viable Electricity Industry

Hydro One submits that this transaction will promote economic efficiency and cost effectiveness which will result in lower ongoing cost structures.

Economic efficiency is attained through sector consolidation, which ultimately eliminates redundant activities. Cost effectiveness reduces OM&A and capital expenditures and is achieved by leveraging Hydro One's economies of scale. These together result in sustained operational efficiencies, both quantitative and qualitative.

With the integration of PDI's operations with Hydro One's existing operations, Hydro One expects sustained operational efficiencies to be realized in distribution operations, administration, information technology and customer service.

Staff Integration

As Hydro One already has an operating organization in place that provides many of the same functions as PDI, certain duplicative functions will no longer be required. Direct staff, such as line and forestry employees, work directly on the distribution assets. PDI's direct staff will be integrated into Hydro One's local operations and will become part of the area's pool of resources working within the larger Hydro One service area, which encompasses PDI's current service territory. Hydro One will expand its current Central region to include the PDI service territory. Hydro One will expand its local complement of direct positions by only 13 staff to serve the expanded Central region, compared to the

17 direct positions currently required by PDI to operate only the existing PDI service territory. The remaining 4 PDI direct staff will be absorbed into vacancies within Hydro One. Therefore, the result is a net reduction of 4 local trades and technical positions to serve the same territory.

Staff not working directly on the distribution assets are considered support staff such as back-office, customer service, finance, etc. In addition to its own support staff, PDI receives support services from affiliate PUSI and its complement of personnel. The 22 PDI operations support personnel will be absorbed into vacancies within Hydro One. In addition, up to 23 PUSI support staff are expected to move to positions within Hydro One once integration is complete. Although certain functions and positions will be rationalized as part of the integration process (leading to efficiency gains), Hydro One, due to its size and current staff retirement profile, is able to offer continued employment to existing PDI and PUSI staff who will be transferred to Hydro One. PDI and PUSI personnel currently in direct and support roles will have the opportunity to transition to existing positions within the Hydro One organization. This will allow Hydro One to leverage the industry knowledge of existing PDI and PUSI staff to meet customer needs. As Hydro One will now be planning the electricity requirements for the entire Peterborough area, it will be able to more efficiently manage both the operating and capital costs associated with serving customers across the area.

Distribution Operations

Local area operating and capital savings will result in a more efficient distribution system due to the elimination of an artificial electrical boundary and thereby realizing benefits from contiguity.

Hydro One's existing service territory is situated immediately adjacent to the territory served by PDI. The geographic advantage of contiguity allows for economies of scale to be realized at the field and operational levels through the eventual integration of PDI's and Hydro One's local systems.

The elimination of the artificial electrical boundary between these contiguous distributors will result in operational efficiencies in various areas. Hydro One will be able to rationalize local space needs through the elimination or repurposing of duplicate facilities such as service and operating centres; more efficiently schedule operating and maintenance work and dispatch crews over a larger service area; and, more efficiently utilize work equipment (e.g., trucks and other tools), leading to lower capital replacement needs over time. The elimination of the service area boundary allows for more rational and efficient planning and development of the distribution system. All of the above provide the potential to result in operating and capital savings, both immediate and over time, which will provide long-term benefits to ratepayers relative to the status quo.

This geography situation is common throughout the Province and is shown in the attached map (see **Attachment 11**) depicting the current fragmented pattern of the local distribution system, with small- and medium-sized LDCs contiguous to or surrounded by Hydro One.

Hydro One's Asset Risk Assessment ("ARA") process will also assist in achieving ongoing distribution operational efficiencies. Hydro One's ARA process determines the state of Hydro One's distribution system, identifies current asset needs, and creates a line of sight to future needs, which enables an in-depth view of asset risk, and improved decision-making. The ARA incorporates field asset assessment including visual inspections and evaluation. This process allows Hydro One to assess the state of its assets, assess the risks that those assets pose, and to develop appropriate plans in order to ensure reliability and service quality are met. This assessment will allow Hydro One to consider the state of the PDI distribution system, identify current asset needs, and create a line of sight to future asset needs.

Administration

Sustained administrative efficiencies will result due to (a) the elimination of redundant activities and (b) efficiencies resulting from economies of scale.

The following activities performed by PDI, or obtained by PDI through a service agreement from PUSI, provide examples of what will be consolidated into Hydro One's portfolio of activities.

- Financial: financial accounting, planning, forecasting, management reporting, procurement, treasury, tax, and audit functions.
- Regulatory and legal: rate-setting applications, OEB initiatives, compliance, RRR reporting, and other regulatory reporting (e.g., CDM program administration costs, IESO Market Rules).
- Executive and governance: duplicative functions performed by PDI senior management would be eliminated, and PDI's Board of Directors would no longer be required.

- Human Resources: Hydro One will have savings in recruitment, training, and staff development costs, as trained and experienced PDI staff will be available to Hydro One to replace expected retirements and other attrition. As well, there will be a reduction in external consultants and contractor engagement between the two companies.

Benefits are also expected to accrue to various agencies within the Ontario energy industry. For example, the costs to regulate and administer the sector may be reduced as this and further acquisitions are completed. The IESO, the OEB, and Ministry of Energy, Northern Development and Mines can achieve potential savings through reduced regulatory burden and industry oversight. Further, enhanced regional planning efficiencies may also be achieved by having fewer distribution companies planning for larger areas. For instance, capital can be deployed more efficiently than with the current fragmented approach.

Information Technology

A larger customer base resulting from the creation of a larger regional distributor leads to costs for processing systems, such as billing, customer care, human resources and financial, being spread over a larger group of customers. Consolidation of these functions is expected to result in efficiency benefits as duplicate systems are eliminated, leading to lower capital, operating and maintenance costs over time.

The integration of Hydro One and PDI will allow for efficiency gains to be realized through eliminating duplication in transaction-processing functions. For example, Hydro One currently processes financial, human resource, information technology, and work management transactions for its existing customers and staff. PDI processes very similar transactions for its own service area. This means that if the transaction proceeds, Hydro One has the opportunity to eliminate these sources of duplication.

Customer Service

Hydro One is undergoing a historic customer service transformation. From front line service repairs to operational planning to Board of Directors meetings, Hydro One is today more sharply focused on what's best for the customer. The following describes some of the initiatives and ongoing customer services that Hydro One provides its customers, and which would be offered to the customers of PDI.

Call Centre

Responding to requests for more convenient hours that fit customer schedules, Hydro One has Contact Centres open on Saturdays from 9:00 a.m. to 3:00 p.m. and extended weekday hours from 7:30 a.m. to 8:00 p.m. – making Hydro One the first electricity service provider in Ontario to do so. For power outages and other emergencies, Hydro One provides 24 hour assistance. The Hydro One Call Centre is open 4½ hours per day longer, on Monday to Friday, than PDI's call centre and is supported by an award-winning 24/7 Interactive Voice Response ("IVR") system in addition to customer service staff. This IVR provides customers the ability to self-serve, for example to report power outages or execute common account needs such as obtaining their account balance. This allows the customer to quickly and accurately get responses to many of their inquiries and allows call centre agents to focus on the more complex questions. Hydro One also insourced its Contact Centre representatives back from a third-party provider, allowing Hydro One employees to better serve customers, by providing a more seamless experience. This transition has also delivered improved service quality. By coming back into the organization, the customer representatives will play a large part in advancing Hydro One's renewed service culture, assuring customers they are now connecting directly with Hydro One service leaders and decision makers who will be better equipped to serve them.

Increased Community Service and Presence:

Hydro One continues to increase its presence in local communities through drop-in sessions, its mobile Electricity Discovery Centre and by opening regional customer service desks at the Sudbury Field Business Centre and piloting customer service offices at the London and Markham Contact Centres. Hydro One also has a traveling customer service team that visited over 20 cities and towns, and made over 50 visits to Indigenous communities throughout the year, meeting customers face-to-face to help answer questions about their bills, provide information about smart meters and help them learn more about conserving energy and reducing their usage.

Outages

When an outage occurs, Hydro One customers can use other channels, such as online access via smart-phone or other battery-charged laptops and devices for information about outage details, including estimated restoration time. Customers have the option to sign up for e-mail or text outage notifications. PDI customers currently do not have these outage notifications, but upon integration, these channels will be become available to PDI customers as well.

Initiatives to Help Customers Manage their Bills

Hydro One helps customers reduce their monthly bills through electricity conservation programs. Hydro One is committed to delivering industry leading Conservation and Demand Management ("CDM") initiatives that help customers save on their electricity usage and bills. PDI customers would benefit from provincial programs that are not currently included in PDI's CDM Plan such as the Process and System Upgrade Program, Energy Manager, and Social Benchmarking as well as other Hydro One leading edge offerings including the Green Button and Air Source Heat Pump programs. Hydro One also eliminated security deposits for residential customers and significantly reduced deposit requirements for business customers and expanded relief measures to help customers who accumulated balances on their accounts over the winter. Customers can sign up for digital notices that include notifications that their eBill is ready, how much electricity they are consuming mid-month, and payment receipt alerts. All of these alerts provide Hydro One customers with the information they need to effectively manage their energy consumption and their finances. Additionally, Hydro One provides a range of support to Indigenous customers through the First Nations Delivery Credit, First Nations Conservation program and Hydro One's Get Local program.

New Services

Hydro One has redesigned the *HydroOne.com* website and *myAccount* self-service portal to make them more intuitive, providing an array of information and tools, such as *Predict My Bill*. The format of Hydro One's electricity bills were also completely redesigned following extensive research and substantial direct feedback from thousands of customers. The new, easy to understand electricity statements began in December 2017. The new version of the bill also translates well digitally as an e-bill on both web and mobile applications. The new bill changes have seen improvements to our customers understanding of their bills.

Service Guarantees

Hydro One was the first electric utility in Ontario to offer Service Guarantees. These guarantees provide tangible evidence that Hydro One is prepared to stand behind the service provided to its customers. If Hydro One fails to meet commitments (e.g., misses an appointment, takes longer than 5 business days to connect a new service once all connection requirements are met, does not return a phone call within one business day)[16], the residential customer's account is proactively credited $75.

Incremental Transaction and Integration Costs

Both parties to the transaction will have incurred some incremental costs associated with the transaction.

Hydro One's incremental transaction costs are estimated to be approximately $0.2 million. These include legal, and tax costs relating to completion of the transaction, and costs associated with the necessary regulatory approvals.

Integration costs include incremental up-front costs to transfer the customers into Hydro One's customer and outage management. These costs are estimated to be approximately $9 million. Hydro One is not expecting to incur any ongoing integration costs.

All of the above incremental costs will be financed through productivity gains associated with the transaction, will not be included in Hydro One's revenue requirement, and thus will not be funded by ratepayers.

Financial Viability/Premium/Financing

As contemplated in the Agreement, 1937680 has agreed to purchase the business and distribution assets of PDI. The purchase price of $105.0 million for the net assets of the

[16] The terms and conditions for these Service Guarantees can be found at: https://www.hydroone.com/about/corporate-information/our-service-guarantees

business represents the commercial value established through negotiations with an arms-length third party.[17]

The premium paid over the asset's book value will not have a material impact on Hydro One Inc.'s financial viability. This transaction price accounts for less than 2% of Hydro One Distribution's net fixed assets. In addition, the premium paid will not be included in Hydro One's revenue requirement and thus will not be funded by ratepayers. Copies of PDI's, Hydro One Distribution's and Hydro One Inc.'s Financial Statements for 2016 and 2017 are provided in **Attachments 12 to 17**.

HOI will initially finance the proposed transaction through cash or its short-term commercial paper program, which is operational and fully backed by a syndicated bank line of credit maturing June 2022. Long-term financing will be through its Medium-Term Note program, which is fully operational and valid until April 2020, and planned to be renewed thereafter.

3.0 OTHER RELATED MATTERS

Regulatory Assets and Rate Riders

PDI's deferral and variance accounts will be held separately from Hydro One Network's deferral and variance accounts. The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report ("EDDVAR") provides that under the Price Cap IR, the distributor's Group 1 audited account balances will be reviewed and disposed if the pre-set disposition threshold is met. In the letter Update to EDDVAR Report, released July 2009, dated July 25, 2014, distributors may seek to dispose Group 1

[17] As contemplated in the asset purchase agreement, the final purchase price is subject to closing adjustments.

balances that do not exceed the threshold. Hydro One will comply with this policy during the deferred rebasing period and will propose disposition of the former PDI Group 1 balances once they meet the threshold established by the Board, consistent with this policy.

PDI is requesting a rate rider to reduce the residential, general service and Large User rate classes' Base Distribution Delivery Rates that are in effect at the time this transaction closes, by 1% for years one through five of the deferral period. All other PDI rate riders will continue as per their existing rate schedules until expiry.

The PDI regulatory assets currently approved by the OEB will continue to be tracked in their respective accounts, and disposition will be sought at a future date.

Also, Hydro One requests approval to establish and use a regulatory account to track costs associated with the proposed ESM, which is proposed to be active in the deferral period years six through ten as part of this Application. If approval is granted, Hydro One will submit a Draft Accounting Order for the Board's approval either as a condition of this Application's approval, or as a subsequent filing. More detail on Hydro One's proposed ESM is at **Exhibit A, Tab 3, Schedule 1**.

Incremental Capital Module

To encourage consolidation, the Handbook has now explicitly extended the availability of an ICM, for any prudent discrete capital projects, for consolidating distributors that are on either Price Cap Incentive Regulation ("PCIR") or Annual IR Index. Currently, PDI rates are set in accordance with PCIR.

Hydro One understands, from the Handbook, that an ICM will be made available for the former PDI service territory should the need arise. Hydro One currently has no plan to apply for ICM relief during the deferred rebasing period, however if circumstances prevail where Hydro One does require an ICM, the details pertaining to the ICM will be provided in that future application.

US GAAP

PDI's financial statements are currently prepared in accordance with International Financial Reporting Standards ("IFRS"). Hydro One Distribution received OEB approval to utilize US Generally Accepted Accounting Principles (**"**US GAAP**"**) as its approved framework for rate setting, regulatory accounting and regulatory reporting in the Decision with Reasons in EB-2011-0399 (issued on March 23, 2012). In addition, in the Hydro One Norfolk MAAD (EB-2013-0187/196/198) Decision and Order, the Board decided that using US GAAP methodology in accounting for Norfolk Power Distribution Inc. (the acquired utility) will be more efficient than continuing to use Modified IFRS. Since that Decision, the OEB has also approved the use of US GAAP for Haldimand County Hydro Inc. (EB-2014-0244) and Woodstock Hydro Services Inc. (EB-2014-0213) in their MAAD applications.

Hydro One requests similar approval to utilize US GAAP for accounting purposes in relation to the ongoing business of the former PDI. Approval to use US GAAP for PDI will simplify any future rate integration, will avoid incremental costs or productivity losses by simplifying processes and avoiding the need for workarounds, and will facilitate Hydro One Inc.'s consolidated reporting for securities filing purposes (including future U.S. Securities and Exchange Commission), thus avoiding incremental costs and/or reduced productivity. By using one uniform standard of reporting, Hydro One seeks to achieve integration and scale efficiencies. Given the relative small size of the

PDI operations (when compared to Hydro One), Hydro One believes it would be inefficient and costly to maintain two different accounting regimes for divisions within Hydro One.

Compliance Matters

Pending approval of this transaction and after notification to the Board that integration is completed, PDI's distribution system and Rate Order (which at the time will be held by 1937680) will be transferred to Hydro One, and Hydro One's distribution licence will be amended to include the PDI service territory. The customers, assets, systems, processes and operations of PDI will be fully integrated into Hydro One's business activities.

Hydro One confirms that it is materially in compliance with its regulatory requirements, subject to any approved regulatory exemptions. The list of specific code requirements from which Hydro One has been exempted can be found in Schedule 3 of Hydro One's Electricity Distribution Licence.

To the best of PDI's knowledge, it is in compliance with all relevant licence and code requirements per its Electricity Distribution Licence. It is expected that following the approval and completion of the transaction and after integration of PDI's distribution business activities into those of Hydro One, Hydro One will continue to be materially compliant with all applicable Legislation, Regulations, Market Rules, other Licence Conditions and Codes.

Hydro One's compliance policy will continue to require that confirmed instances of non-compliance be disclosed and mitigated as necessary including applications for exemptions from such requirements, if necessary. Any potential instances of non-compliance associated with PDI's distribution business activities will be addressed during the integration process.

During the period after closing of the transaction and prior to full integration, service level agreements in compliance with the OEB's *Affiliate Relationships Code for Electricity Distributors and Transmitters* will be drafted between 1937680 and Hydro One affiliates.

SUMMARY

For the reasons addressed in the preceding sections, both qualitative and quantitative savings and efficiencies are expected to result from this transaction. Overall, the analysis shows the ongoing synergies will accrue as a result of this transaction, benefiting ratepayers of both utilities. These attributes allow PDI, 1937680 and Hydro One to conclude that the transaction will not cause harm to ratepayers, and indeed will provide benefits to all ratepayers in the long term. Moreover, this Application embodies the current regulatory policies and principles of the Board in pursuing the objectives established by section 1 of the Act.

EARNING SHARING MECHANISM AND RATEPAYER BENEFITS

1.0 INTRODUCTION

Consistent with the Amended Report, Hydro One is proposing to implement an Earning Sharing Mechanism ("ESM") to operate during the term of the extended deferred rebasing period[1] (i.e., for years six to ten beyond the initial five-year deferral period). The ESM will ensure that customers share in the benefits from consolidation during that period.

The Handbook provides further details on the Board's expectations of an ESM, and in some instances, references details that would apply specifically to a transaction, including these key aspects:

- Consolidating entities that propose to defer rebasing beyond five years must implement an ESM for the period beyond five years. The ESM is designed to protect customers and ensure that they share in any increased benefits from consolidation during the deferred rebasing period;
- Excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual ROE;
- Earnings will be assessed each year once audited financial statements are available, and excess earnings beyond 300 basis points will be shared with customers annually; and
- An ESM as set out in the 2015 Report may not achieve the intended objective of customer protection for all types of consolidation proposals. For these cases,

[1] EB-2014-0138, Amended Report, page 6

applicants are invited to propose an ESM that better achieves the objective of protecting customer interests during the deferred rebasing period[2].

With these factors in mind, Hydro One is proposing an ESM that simplifies its administration, thereby keeping costs low and providing a guaranteed cost reduction to ratepayers, while adhering to the Board's principles outlined in its recent policies and decisions on consolidation applications.

Hydro One is also providing in Section 3.0 below a summary of the rate benefits that former customers of PDI will experience as a result of this transaction, over the deferred rebasing period.

2.0 PROPOSED ESM

Hydro One's ESM will guarantee a cumulative $1.8 million of over-earnings will be shared with former PDI customers as a result of the implementation of the ESM in years six to ten.

The following are the key aspects of Hydro One's proposal, each of which will be discussed in detail below:

- *Term and Eligibility* - Hydro One is proposing to implement an ESM in years six through ten of the deferred rebasing period. Excess earnings above 300 basis points on the allowed ROE in that period will be shared 50:50 with customers of the former PDI.

[2] Handbook, Pages 16-17

- *Mechanics of the ESM* - The ESM has been calculated on forecast OM&A and capital costs based upon Table 1 in the evidence, provided at **Exhibit A, Tab 2, Schedule 1**.
- *Ratepayer Refund* - The projected over-earning amounts shared with customers will be recorded in a regulatory account and interest-improved.

2.1 Term and Eligibility

Hydro One is proposing to implement an ESM in years six through ten of the deferred rebasing period, consistent with the Amended Report and the Handbook. The ESM will employ a 50:50 sharing of earnings 300 basis points over PDI's current-approved ROE. The excess earnings will be shared with customers, who at the time of disposition will be customers of Hydro One in what is currently PDI's service territory. The sharing of the earnings solely with PDI's customers is consistent with the Board's direction in the Handbook, where the Board suggested that "a large distributor that acquires a small distributor may demonstrate the objective of consumer protection by proposing an ESM where excess earnings will accrue only to the benefits of the customers of the acquired distributor"[3]. This is also consistent with the comments delivered by the Board in Hydro One's Woodstock Hydro Services Inc. MAAD Decision[4], where the Board expressed concerns that the ESM as proposed by Hydro One (over-earnings based on Hydro One's Financial Statements) would not ensure that potential savings would be seen by the existing customers within the Woodstock service territory. The over-earnings will be calculated on the operations of the acquired entity opposed to the consolidated new entity's earnings.

[3] Handbook, Page 16
[4] EB-2014-0213, Page 17

2.2 Mechanics of the ESM

An essential aspect of consolidation is to attain as many synergies as possible to the ultimate benefit of all ratepayers of the consolidating entities. Elimination of redundant financial records, external audits and reporting is a key element to lowering cost structures. Hydro One is on record that it does not intend to provide separate financial statements for any of its acquired utilities. This was discussed during the Woodstock MAAD oral hearing[5]. To do so would not only decrease forecast synergies but would also add new one-time and ongoing costs to set up business units in Hydro One's financial systems, thus diminishing costs savings that would otherwise be available to ratepayers.

Hydro One proposes to fully integrate the acquired distribution system and operations of the former PDI utility (i.e., the purchase of the assets by 1937680) into its Distribution business within 18 months of the close of the transaction. Once complete, the companies will be fully integrated, both operationally and financially, including having one set of financial records. Since separate financial statements will no longer exist for PDI, Hydro One will not be in a position to report the earnings of the acquired distributor. Instead, Hydro One proposes to calculate excess earnings in years six to ten based upon forecast costs as presented in Table 1 below.

Hydro One proposes to commit to a pre-calculated ESM guaranteeing a defined benefit to ratepayers of the former PDI service territory as set out in Section 2.3 below. An ESM using forecast OM&A and capital expenditures has two benefits. Firstly, it reduces both ongoing and one-time costs to serve the customers in the former PDI service territory, maximizing their share of excess earnings. The tracking of costs required to produce financial statements would substantially reduce the savings available from consolidation

[5] EB-2014-0213, Transcript, Day 2, page 48

activities. Secondly, it provides Hydro One with a strong incentive to achieve the forecast efficiency savings, which are significant as a percent of the existing OM&A and rate base of PDI. Committing to a pre-calculated refund, regardless of actual costs, drives Hydro One to seek as many efficiencies as possible. Once achieved, this will result in lower ongoing cost structures[6] to the benefit of all Hydro One ratepayers.

A significant benefit to PDI customers is that the OM&A costs used in the model are *incremental* costs only, which do not include corporate overheads. Including corporate overheads would reduce net income, thereby reducing shared earnings. Hydro One's Year-10 forecast OM&A costs are approximately 65% less compared to PDI's status quo Year-10 OM&A forecast.

Table 1 below describes the key components used in the Hydro One ESM model.

Table 1: ESM Components

Rate Base
▪ PDI's Board-approved rate base[7] was adjusted for net in-service additions that have accumulated since its last rate rebasing to calculate rate base at the closing of the transaction. ▪ Additions to rate base during the deferred rebasing period are the forecast in-service capital additions as shown in Table 1 provided in Exhibit A, Tab 2, Schedule 1, plus working capital. ▪ The starting point for calculating PDI's forecast rate base was PDI's 2017 audited Financial Statements (Attachment 12 to Application), PDI has provided a forecast of capital expenditures for 2018 and 2019 (prior to transaction closing) to bridge the rate base to 'Year 1', which is assumed to be 2020. The forecast rate base equals the NBV of Property, Plant and Equipment ("PP&E") less capital contributions plus a calculation for working capital, using the Board's methodology. During the 10 year rate rebasing deferral period, the calculated rate base includes additional in-service additions sourced from the forecast capital expenditures provided in Exhibit A, Tab 2, Schedule 1, Table 1, and applying the half-year rule. The modeling assumption used is that capital expenditures from Table 1 are treated as 100% in-serviced in the year incurred. ▪ Equity Component of rate base is 40% of the total rate base

[6] Both during and post the deferred rebasing period.
[7] EB-2012-0160, Draft Rate Order

Revenue
▪ PDI's 2018[8] current OEB-approved base distribution rates are adjusted by the *Price Cap Incentive Rate-setting* mechanism for the extended deferral period: - The inflation rate is sourced from the IHS Global Insights February 2018 inflation forecast for Ontario. - PDI's productivity factor is 0.45%. ▪ PDI's distribution revenue forecast, used in the ESM model, incorporates adjustments for customer and load growth and is calculated using the above rates multiplied by the forecast load and customer profiles of the PDI service area. ▪ The forecast load and customer profiles used to forecast revenue used in Hydro One's ESM model were generated taking into account the latest information on PDI's actual load and customer numbers as well as local and provincial demographic and economic trends.
OM&A
▪ OM&A costs during the deferred rebasing period align with the forecast provided in Table 1 provided in Exhibit A, Tab 2, Schedule 1. OM&A costs used are direct costs only. ▪ Hydro One is assuming all operational risks during the 10-year deferred rebasing period. These risks include: ▪ The risk that the OM&A forecast is not achieved; ▪ The risk that assets are not in the condition anticipated; ▪ The risk that the anticipated load and customer load profiles do not materialize. Hydro One will also need to manage, over a 10-year period, any changes to labour (collective agreements, benefits, pension) and material costs, the impact of innovation and technology on operations, and any political and regulatory changes. Irrespective of the actual results, PDI customers will receive the ESM sharing benefit. As a result of the risks assumed by Hydro One in committing to the guaranteed ESM, a 20% risk factor has been applied to the OM&A forecast. This means that prior to calculating the forecast savings from the transaction that would be shared with customers, Hydro One has multiplied the forecast OM&A costs by 1.20.
Depreciation
▪ The acquired assets are depreciated based on their remaining useful life as determined by Hydro One. The assets purchased post-transaction in Table 2 are depreciated in accordance with Hydro One Distribution's approved depreciation rates. ▪ Annual depreciation is calculated on the opening Gross Asset Values as of Year 1 of the Deferral period. Hydro One's OEB-approved depreciation rates are used which will also be used for financial accounting post transaction close.
Financing Costs
▪ Interest expense is calculated by applying the long and short term debt rates, outlined below, to 60% of the PDI rate base ▪ The cost of debt is that embedded in PDI's current approved rates: ▪ Long-term debt is 4.11%. ▪ Short-term debt is 2.07%

[8] EB-2017-0266

Taxes
▪ Taxes are calculated using the existing provincial and federal tax rates, totalling 26.5%.
Return on Equity
▪ The ROE used to establish the 300 basis point differential is PDI's current-approved ROE of 8.98%[9].

2.3 Ratepayer Refund

Table 2 below provides Hydro One's proposed refund to customers using the ESM as above-described. The ESM is calculated using the OM&A and capital costs identified in **Exhibit A, Tab 2, Schedule 1**, Table 1 of this Application.

Hydro One believes that the proposed ESM, based upon forecast cost savings, benefits and provides a fair return to ratepayers. PDI ratepayers receive a guaranteed sharing of $1.8 million earned during the ESM period. Hydro One will have a strong incentive to ensure that these savings are achieved so that its ability to recover acquisition costs will not be eroded. The resultant synergy savings will then form the basis of future revenue requirements, which will benefit all of Hydro One customers through lower cost structures. Pursuing the more conventional ESM alternative of tracking costs separately and maintaining separate financial records would increase both OM&A and capital costs, which would ultimately erode the synergies of this transaction, thereby reducing the ESM share that will be available to the customers of the former PDI.

[9] EB-2012-0160

1 **Table 2: Earning Sharing Mechanism Sharing - Years 6 to 10 ($000's)**

	Deferral Period Year	**6**	**7**	**8**	**9**	**10**
	Calendar Year	**2025**	**2026**	**2027**	**2028**	**2029**
1	Rate Base	97,437	100,559	102,811	105,001	107,192
2	Equity Component of Rate Base	38,975	40,223	41,125	42,000	42,877
3	Revenue	17,116	17,437	17,765	18,099	18,440
4	OM&A[10]	4,734	4,816	4,900	4,985	5,072
5	Depreciation	3,364	3,524	3,664	3,808	3,955
6	Interest	2,323	2,398	2,451	2,504	2,556
7	Tax	1,259	1,276	1,318	1,360	1,400
8	**Net Profit After Tax**	**$5,435**	**$5,424**	**$5,431**	**$5,442**	**$5,456**
9	Achieved ROE (%) (Line 8 ÷ Line 2)	13.95%	13.48%	13.21%	12.96%	12.73%
10	Less: Approved ROE% for PDI	(8.98%)	(8.98%)	(8.98%)	(8.98%)	(8.98%)
11	ROE% above Approved ROE%	4.97%	4.50%	4.23%	3.98%	3.75%
12	Less: 300 Basis Points Threshold	(3.00%)	(3.00%)	(3.00%)	(3.00%)	(3.00%)
13	Total Over-Earnings (%)	1.97%	1.50%	1.23%	0.98%	0.75%
14	Total Over-Earnings (Line 13 x Line 2)	$766	$605	$504	$411	$320
15	50% of Overearnings Shared with to PDI customers	$383	$302	$252	$205	$160
16	Tax Effected Earnings Sharing (26.5%)	$521	$411	$343	$280	$217
17	Cumulative Tax Effected Earnings Sharing (Years 6 to 10)					**$1,773**

[10] Includes risk factor adjustment

2.4 Ratepayer Refund

Hydro One will record the guaranteed refund due to ratepayers in a deferral account. These amounts will be interest-improved, in accordance with the OEB's prescribed interest rates. Hydro One will accrue the balance in this account until the end of the extended deferred rebasing period. At this time, PDI customers are expected to be transitioned to an appropriate existing or new Hydro One rate class. In Year Ten of the deferral period, Hydro One will apply to the Board to dispose of the balance in this account in one of the following manners: (1) Hydro One will apply these funds to offset the cost of any rate mitigation that may be required to transition these customers to their new rates. That application will recommend the duration of the disposition period; (2) If the total balance in the deferral account is not completely required to fund rate mitigation, then Hydro One will offer rate mitigation for a defined period of time, and any remaining balance will be disposed of via a one-time credit; or (3) If no rate mitigation is required, the balance of the deferral account will be completely refunded to the customers by a one-time credit. This method of disposition ensures that there is no cross-subsidization between the legacy Hydro One customers and PDI customers[11]. Hydro One is not opposed to refunding the ESM earnings on an annual basis in years 6 through 10, if the OEB should order such disposition, as was decided in EB-2017-0269[12]:

> "NT Power will be required to implement an ESM in a manner consistent with the 2015 Report and Handbook – i.e., … to share these earnings annually with customers once audited financial results are available."

PDI last had its rates rebased in 2013[13]. If this application is approved, the next rebasing of distribution rates which includes costs for PDI would be 2030, a period of seventeen (17) years. Though there will be significant savings as a result of this consolidation, the

[11] Hydro One at a later date will file a separate application to request the establishment of a regulatory account to track these costs.
[12] EB-2017-0269 Decision and Order, page 20
[13] EB-2012-0160

17-year gap between rebasing may result in a disparity between cost structures and rates. Regardless of the rate class to which these customers will be transitioned, rate mitigation may be required. The disposition of the accumulated PDI ESM sharing balance in years 11 and forward will help to offset any required rate mitigation. It is for this reason that Hydro One proposes recording the ESM refund amount in a deferral account for future disposition.

2.5 ESM Summary

Hydro One believes that the proposed ESM meets the objectives of the Board's policy. The guaranteed refund to customers not only accommodates the circumstances of the transaction; it also provides an incentive for Hydro One to derive increased efficiencies and provides a mechanism to help mitigate rates at the next rebasing. This allows the shareholder to continue to recover transaction costs, while ensuring that customers of the former PDI are protected from the risk of unrealized synergies, and benefit from the efficiencies and savings that the new distributor expects to achieve from consolidation.

The proposed refund to customers is a significant amount. Hydro One is guaranteeing a total $1.8 million refund to the former customers of PDI. This equates to approximately 13% of PDI's current Board-approved revenue requirement[14].

3.0 DEFERRED REBASING PERIOD RATEPAYER BENEFITS

In addition to the ESM, Hydro One's proposal in the Application provides additional rate benefits to former customers of PDI during the deferred rebasing period.

[14] EB-2012-0160

Even though IRM rate increases are permitted under the OEB's consolidation policy, Hydro One is opting to forego any IRM rate increases to former PDI ratepayers in Years One through Five of the deferred rebasing period. These foregone increases will also benefit PDI ratepayers during the second five years of the rebasing deferral period. When the IRM rate increases take effect, in Years Six to Ten, those increases will be applied on PDI's current 2018-Board approved rates (adjusted from the move-to-fixed), and adjusted annually. The 5-year freezing of PDI base distribution delivery rates, results in further savings in years 6 to 10 as the anchor rate changes will be on the lower 2018 rates. This results in lower rates throughout the deferred rebasing period.

Furthermore, PDI has and the former PDI service territory will continue to incur capital expenditures from the time rates were last rebased through a cost of service in 2013, until the end of the deferred rebasing period in 2029. PDI's distribution system, and its ratepayers, will continue to benefit from the ongoing capital expenditures, without the rate impacts (i.e. increases) that would occur from regular cost of service rebasing absent a deferred rebasing period.

3.1 Deferred Ratebasing Period Ratepayer Benefit Summary

This transaction will benefit ratepayers throughout the deferred rebasing period in three ways; Firstly, Hydro One is not seeking to rebase PDI's rates, therefore customers are benefitting from paying rates derived on a lower rate base. Secondly, Hydro One is foregoing the IRM rate increases permitted under the Amended Report, in Years One to Five. Thirdly former PDI customers will receive the benefit of a guaranteed ESM amount, and all the risks of obtaining those savings and efficiencies targets, ten years hence, will solely rest with Hydro One.

FUTURE COST STRUCTURES

1.0 PREAMBLE

Based on the OEB's decision in EB-2016-0276, Hydro One is providing evidence on "Future Cost Structures" for PDI in relation to revenue requirement and a general explanation as to how costs would be allocated beyond the deferred rebasing period.

2.0 UNDERLYING COST STRUCTURES TO SERVE PDI'S SERVICE TERRITORY

To understand if the cost structures and/or rates for acquired customers, beyond the 10-year deferral period proposed in this Application, are no higher than they would have been in absence of the transaction, (a) PDI has calculated for Year 11 the estimated revenue requirement for the Peterborough service territory in the circumstances where the system continues to be owned and operated by PDI (i.e., the "Status Quo" scenario), and (b) Hydro One has calculated the estimated revenue requirement, based on the residual cost to serve (i.e., the "Residual Cost to Serve" scenario) this territory, after accounting for the synergies and efficiency gains that are anticipated during the deferral period under the proposed transaction.

2.1 PDI "Status Quo" Revenue Requirement

Table 1 below reflects PDI's Status Quo revenue requirement for Year 11.

Table 1: Peterborough Distribution Status Quo Scenario
Year 11 Estimated Revenue Requirement ($000's)

Average of NBV of Assets	88,166
Working Capital	8,880
Rate Base[1]	97,046
OM&A	12,269
Depreciation	6,193
Cost of Capital – Debt Interest	2,350
Cost of Capital – Equity Return	3,494
Tax	607
Revenue Requirement	**$24,913**

To calculate Year 11 rate base, PDI started with their audited 2017 Financial Statements and factored the annual capital expenditures forecast in Table 1 of **Exhibit A, Tab 2, Schedule 1**. **Attachment 18** provides further details of the forecast for PDI rate base growth, since the time of the last rebasing, through to Year 11. The PDI rate base is forecast to increase from the 2013 OEB approved amount[2] of $65.4 M to $97.0 M by 2030, an increase of $31.6M or approximately 48% over the 17 years from the last approved rebasing in 2013.

This level of rate base increase, over a 17 year period, is less than that approved by the OEB for some LDC's in recent 2017 and 2018 distributor rebasing applications submitted after their Incentive Rate Making ("IRM") period, however it is consistent with recent capital expenditures approved for PDI. **Attachment 19** shows that the average OEB-approved five year increase in rate base is approximately 26%. At the time of the next proposed rebasing, in 2030, PDI will not have rebased their rates for 17 years – an over

[1] Rate Base is the average of the current and prior year closing NBV of assets plus the current year Working Capital
[2] EB-2012-0160

threefold period compared to the analysis provided for the 2017 and 2018 rebasing entities in **Attachment 19**.

Further details on the assumptions used to calculate these Year 11 numbers are found in **Exhibit A, Tab 4, Schedule 1, Attachment 20**. As set out in Table 1 above, the Year 11 forecast revenue requirement for PDI operating Status Quo is $24.9 million.

2.1.1 LV Rates

PDI is currently an embedded distribution customer of Hydro One. Consequently, in addition to being charged base distribution rates that reflect PDI's revenue requirement, PDI's customers also currently pay a Low Voltage ("LV") charge on their monthly bills. The LV charge, which is an OEB-approved rate, reflects Hydro One's upstream distribution cost to serve embedded customers. Therefore, LV charges are not part of PDI's forecast revenue requirement, as set out in Table 1 above, however they do represent a real distribution cost to PDI's customers. In 2017, PDI's LV charges, payable to Hydro One, were approximately $1.0M, Hydro One estimates these costs will be approximately $1.4M[3] by 2030. Following rate harmonization, customers in the former PDI service area would no longer incur LV charges on their monthly bills. Rather, the ongoing upstream distribution costs necessary to provide them service would be accounted for within the revenue requirement underlying the new distribution rates proposed by Hydro One for the PDI service area following harmonization – in other words, customers of Hydro One do not pay a separate LV rate as part of their monthly bill. Therefore to fairly compare PDI and Hydro One distribution rates, the LV charges must be added to PDI's Status Quo revenue requirement. This results in a Year 11 Status Quo cost to serve of $26.3 million.

[3] Calculated based on Hydro One's 2017 actual LV charge to PDI, and projected forward to 2030 assuming average annual rate increases over a typical 5 years distribution rate setting cycle. (i.e. a COS increase is assumed to be 6% and IRM increase assumes a 1.55% increase).

Table 2: Status Quo Cost to Serve PDI customers
Year 11 ($000's)

Revenue Requirement	24,913
LV Charges	1,411
Total Cost to Serve	**26,324**

2.2 PDI "Residual" Revenue Requirement

Table 3 below reflects the scenario for Hydro One's forecast revenue requirement for the Residual Cost to Serve scenario, after accounting for the synergies and efficiency gains anticipated during the deferral period, assuming the proposed transaction is approved and the distribution system is owned and operated by Hydro One.

Table 3: Residual Cost to Serve Scenario
Year 11 Estimated Revenue Requirement ($000's)

Average NBV of Assets	94,342
Working Capital	8,902
Rate Base[4]	103,244
OM&A	4,311
Depreciation	4,106
Cost of Capital – Debt Interest	2,679
Cost of Capital – Equity Return	3,717
Tax	807
Revenue Requirement	**15,620**

The OM&A and capital expenditures are based on the Hydro One forecast provided in Table 1 of **Exhibit A, Tab 2, Schedule 1**. Year 11 OM&A and capital expenditures are

[4] Rate Base is the average of the current and prior year closing NBV of assets plus the current year Working Capital

calculated by inflating the Year 10 forecast by 2%[5]. Further details on the assumptions used to calculate these numbers are found in **Attachment 20** to this exhibit. As set out in Table 3 above, the Year 11 revenue requirement for serving the PDI service territory, under the Residual Cost to Serve scenario, is approximately $15.6M.

2.3 Summary of "Status Quo" Cost to Serve vs. "Residual" Cost to Serve

As illustrated in Tables 2 and 3 above, the Residual Cost to Serve customers of PDI, excluding Shared Cost, would be approximately $10.7M lower ($26.3M Status Quo cost less $15.6M Residual cost) in Year 11 following the transaction than under the Status Quo scenario. This difference reflects the elimination of functions, resources and assets that are currently used to serve that service territory and which, for example, due to duplication, would no longer be needed to provide service. Examples of duplicated services include Board of Director's fees, executive leadership, system control staff/facilities and operations facilities that are specifically planning, finance, regulatory, human resources, information technology, etc.

The analysis in Tables 1 through 3 above provide a clear illustration of the benefits the former PDI service territory customers can expect to flow to them as a result of this transaction by lowering the cost structures of the former PDI service territory to $15.6M, compared to the revenue requirement PDI have forecast in their Status Quo scenario, $24.9M (excluding the LV Charge).

3.0 HYDRO ONE SHARED COSTS

If the transaction is approved, the underlying cost structures for serving the former PDI customers will be reduced by an estimated annual amount of $10.7M to a revenue

[5] Ontario CPI growth rate forecast. Source: IHS Global Insight, April 2018.

requirement of $15.6M under the Residual Cost to Serve scenario. However, the $15.6M revenue requirement does not reflect PDI customers paying their full share of the costs for services that Hydro One would be providing to PDI customers. Hydro One considers the costs of the functions, resources and assets used to provide such services to be its "Shared Costs". More particularly, Hydro One's Shared Costs reflect, (i) shared facilities used to provide operations and maintenance services (i.e. service centres and maintenance yards), billing and IT system costs, and other miscellaneous general plant; (ii) OM&A costs associated with shared services, such as planning, finance, regulatory, human resources, information technology, customer services and corporate communications; and (iii) asset and related OM&A costs associated with upstream distribution facilities used by former PDI customers (i.e. costs formerly captured under LV charges).

In Year 11, upon harmonizing rates for customers in the PDI service territory with Hydro One's rates for its existing customer base, the underlying cost structures would continue, as illustrated in Table 1 of **Exhibit A, Tab 2, Schedule 1.** The synergies and efficiencies realized during the 10-year deferral period would continue to have a mitigating effect on rates for customers in the former PDI service territory. However, through rate harmonization (post 10-year deferral period), Hydro One would have an opportunity to begin collecting a portion of its Shared Costs from customers in the former PDI service territory. At that time, the prior Status Quo cost structures will have been reduced through synergies and efficiencies of the proposed consolidation. Given that those customers will receive benefits from the functions, resources and assets that are carried out or held centrally by Hydro One, it will be appropriate for those customers to bear responsibility for some of the Shared Costs. The manner in which Shared Costs will be allocated, and the amount that will ultimately be borne by former PDI customers following the deferral period, will be matters for a future OEB panel to consider and determine when Hydro

One proposes a rate structure and rate harmonization plan as part of its rebasing application following the 10-year deferral period.

At that time, Hydro One would determine the quantum of its Shared Costs and the appropriate methodology for allocating those Shared Costs among all of its customer groups, including its distribution customers in the former PDI service territory, resulting in what it then believes to be an appropriate amount of Shared Costs to be collected from the former PDI customers.

There are a number of factors that are likely to be taken into consideration at that time, both by Hydro One in developing its proposed methodology and by a future OEB panel in making a final determination on that methodology (and the amount of Shared Costs to be included in rates for former PDI customers). In particular, consideration would likely be given to factors such as the impact on rates for former PDI customers, the impact on rates for Hydro One's other customers, the OEB's cost allocation policies and preferred cost allocation practices at the time, the outcome from the pending EB-2017-0049 Decision as it relates to Hydro One's previous Acquired Customers, as well as general rate-making principles.

3.1 Proposed Methodology For Allocating Costs After Deferral Period

After the deferral period, Hydro One will allocate costs to serve the former PDI customers using the OEB's cost allocation model, adjusted to reflect the cost to serve the acquired PDI customers. Hydro One proposes within the harmonization and rebasing application following the deferral period, that it would ensure that the total cost, including a portion of Hydro One's Shared Costs, to be collected from the former PDI customers would be between , (a) the Residual Cost to Serve scenario plus LV charges (totaling $17.0M); and (b) the Year 11 revenue requirement under the PDI Status Quo scenario plus Year 11 LV charges (totaling $26.3M).

Table 4 below provides the calculation of these two costs.

Table 4: Calculation of Residual and Status Quo Costs ($000's)

Revenue Requirement – PDI Status Quo	24,913
Estimated LV Charges[6] – PDI Status Quo	1,411
Total Cost to Serve – PDI Status Quo	**26,324**
Revenue Requirement – Residual Cost to Serve Former PDI	15,620
Estimated Revenue Requirement associated with providing LV services to Former PDI	1,411
Total Residual Cost to Serve	**17,031**

As illustrated above, Hydro One could collect from the former PDI customers a revenue requirement as low as $17.0M. This would mean that all savings from the transaction would accrue to the former customers of PDI. Hydro One's legacy customers would not be harmed, as the former PDI customers would be paying for their residual cost to serve. On the other hand, Hydro One could collect from the former PDI customers a revenue requirement of up to $26.3M, and still be at or below their Status Quo cost to serve. This would mean that all savings from the transaction would accrue to Hydro One legacy customers. Any revenue requirement collected from the former PDI customers between these two amounts (i.e. between $17.0M and $26.3M), would result in a sharing of the benefits between the two customer groups.

At this time, Hydro One is not in a position to determine the specific amount of costs that would be collected from PDI's customers, as that will depend on the cost allocation and rate design proposed for the harmonized rate classes in Year 11. However, any adjustments to the OEB's cost allocation model to reflect the cost to serve the acquired PDI customers in Year 11 would remain in place for subsequent years.

[6] Year 11 LV charges would reflect Hydro One's costs of providing host distributor services.

In Year 11, to calculate the status quo forecast, Hydro One would use the forecast as provided in this Application. However, that base amount would need to be adjusted to reflect any unknown or unforeseen costs at that time that would be applicable to serving the former PDI customers if the transaction did not occur. For instance, if new legislative or OEB requirements or environmental regulations give rise to unanticipated costs, or unanticipated events such as political change or storm damage results in the need for additional capital expenditures in the former PDI service territory during the deferral period, those costs would have been incurred regardless of the transaction and would therefore need to be added to the PDI status quo forecast. The base amount would also need to be adjusted to reflect the weighted average cost of capital applicable at that time.

For the ten year deferral period, Hydro One will track the incremental costs (OM&A and Capital) to serve customers in the former PDI service territory, and have their asset plans distinguished in Hydro One's Distribution System Plan until rate integration in Year 11.

4.0 SUMMARY OF FUTURE COST STRUCTURES

Hydro One has provided evidence that the Residual Cost to Serve the former customers of PDI integrated into Hydro One is less than it would have been under the Status Quo scenario. The underlying cost structures to serve the former PDI service territory area will be reduced by approximately $10.7M million prior to an allocation of Shared Costs.

Evidence showing that the former customers of PDI will benefit from this transaction includes:

- Former PDI customer rates will not be rebased via a Cost of Service Rate application until 2030. This is a 17 year period from the time their rates were last rebased[7].
- As of December 2017, $22.2M capital expenditures[8] have been added to PDI's rate base since their last rate rebasing in 2013, a period of four years (2014 to 2017). These are not reflected in its current OEB-approved rate base, which is the basis for the rates that Peterborough customers will continue to pay until Year 11.
- PDI will continue to incur capital expenditures in 2018 and 2019 until the time the proposed acquisition is forecast to close, followed by 1937680 and Hydro One incurring capital expenditures to maintain service reliability and system capital requirements for the 10-year deferral period. None of these capital expenditures[9] will be reflected in the rate base that underpins the rates the former customers of PDI will be charged, yet customers have received and will receive benefits from these capital expenditures.
- Hydro One emphasizes that under the Status Quo scenario PDI's customers rates would increase as a result of the growth in rate base compared to the rates these customers will receive as a result of this transaction. Hydro One maintains it is a reasonable assumption to expect that rate base will increase, under both Status Quo and Residual Cost to Serve scenarios, given that the PDI service territory's rates will not have been rebased for a 17-year period.
- PDI did not adjust their rates through the Board's Incentive Rate Making ("IRM") mechanism for its 2017 rates[10], because it had, "entered into discussions with the respect to the potential sale of PDI to Hydro One." This illustrates another benefit of this transaction for PDI ratepayers.

[7] PDI rates were last rebased in 2013 (EB-2012-0160)
[8] Capital expenditures net of capital contributions provided by PDI for the year range 2014 to 2017.
[9] This excludes any capital expenditures that may be undertaken and approved by the OEB through an ICM applications
[10] EB-2016-0100

- Hydro One is confident that it can produce savings and synergies operating and managing the former PDI service territory under PDI's OEB-approved revenue requirement, effectively reducing the cost structures for the PDI service territory compared to the Status Quo. This benefits the ratepayers, not only by decreasing their Base Distribution Delivery Rates by 1% and freezing those reduced rates for five years, but it avoids at least two cost of service rebasing events over the ten year deferral period, that PDI would otherwise require.
- Hydro One is providing former PDI customers a guaranteed ESM. This protects these customers to ensure they share in any increased benefits from consolidation during the deferred rebasing period. The ESM is based on only the incremental cost to serve customers in the former PDI service territory.

With respect to former PDI customers, Hydro One anticipates transitioning those customers to one of its proposed new acquired rate classes or to a new rate class to be proposed after the deferred rebasing period has elapsed. At the time of that rate proposal, Hydro One will determine an appropriate rate class for the former PDI customers (e.g. taking into account density characteristics and bill impacts). Hydro One, as has been directed in previous MAAD decisions[11] will ensure the new proposed rates will reflect the cost to serve the newly acquired customers in the former PDI service territory. To achieve this, at the time of rebasing, Hydro One will examine the cost to serve these customers to ensure that they will only be charged for the assets that are used to serve them.

Hydro One has also provided an illustration of how Shared Costs could be collected from customers of the former PDI post the 10-year deferral period. This evidence shows that both legacy customers and the acquired customers will benefit from this transaction. If

[11] EB-2013-0187/0196/0198, EB-2013-0213, EB-2013-0244

the revenue collected from the former PDI's customers through rates is equal or less than PDI's Status Quo revenue requirement plus LV costs, then customers will not be harmed. If Hydro One's legacy customers' rates are not increased as a result of the transaction, they too are not harmed by the transaction. The annual savings of $9.3[12] million expected from this transaction can be shared by these two customers groups such that each group will have rates derived from a lower revenue requirement that would have otherwise applied in Year 11 and beyond. Therefore, the transaction meets the No Harm Test.

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[12] Calculated as PDI's Status Quo Total Cost to Serve, of $26.3M, less, Hydro One's Total Residual Cost to Serve of $17.0M = $9.3M.

SUPPLEMENTAL EVIDENCE

1.0 PREAMBLE

On October 12, 2018 Hydro One filed a MAAD application to purchase PDI and on February 27, 2019 Hydro One updated Exhibit A, Tab 4, Schedule 1 and Attachment 18. Interrogatory responses on the original evidence were filed on February 27, 2019. Included in that Application was an exhibit, "Future Cost Structures" (Exhibit A, Tab 4, Schedule 1), to assist the Board in understanding Hydro One's rate plans for PDI's customers after the deferred rebasing period. The purpose of this Supplemental Evidence is to explain in detail Hydro One's proposed cost allocation and rate design for PDI customers at the end of the rebasing deferral period. The Supplemental Evidence demonstrates that the application of Hydro One's proposed cost allocation and rate design to PDI customers in a Year 11 rebasing will: (a) result in an allocation of costs to PDI customers that reflects the cost to serve them; (b) result in rates that collect costs from PDI customers that are less than what those customers would have paid in the absence of the proposed transaction; and (c) leave Hydro One legacy customers unharmed or slightly better off than they would have been in the absence of the proposed transaction. In fact, the outcome of the cost allocation model and rate design reflects the sharing of cost savings in Year 11 and beyond for the benefit of both PDI and Hydro One legacy customers.

2.0 DISTRIBUTION SECTOR EFFICENCY

Hydro One's consolidation of the distribution sector has and will continue to result in beneficial outcomes for all customers - both for the customers of acquired utilities and Hydro One's legacy customers. This aligns with the key objective of the OEB's consolidation framework, to seek out efficiencies through consolidations.

Hydro One's purchase of PDI will result in over $9 million of savings in Year 11 (i.e., the first rebasing year), as shown in Table 1 below.

Table 1: Savings Resulting from Hydro One's Acquisition of PDI ($M)

PDI Status Quo Total Cost to Serve	$26.3	*Ex. A, Tab 4, Schedule 1 – Table 4*
Total Residual Cost to Serve	17.0	*Ex. A, Tab 4, Schedule 1 – Table 4*
Ratepayer Savings (Year 11)	**$9.3**	

3.0 TRACKING COST TO SERVE

(a) Tracking Costs during Deferred Rebasing Period

In Exhibit A, Tab 2, Schedule 1, Table 1 of this MAAD application, Hydro One has provided the forecast incremental OM&A and capital cost to serve the customers of PDI, and commits to tracking the *actual* incremental OM&A and capital costs to serve PDI customers until the end of the ten year deferral period. This tracking will allow the Board to compare the actual incremental costs to serve PDI customers with that forecast in this application. The actual incremental OM&A and capital costs to serve PDI customers will be reflected in Hydro One's revenue requirement upon rebasing of rates at the end of the ten year deferral period.

(b) Tracking Costs from Year 11 Onwards

In response to concerns raised in EB-2017-0049 (the "Distribution Rates Decision") relating to not updating in future rate-setting applications the adjustment factors[1] (that were to be used in determining the allocation of fixed assets to previously acquired customers within the cost allocation model), Hydro One will track the capital costs to serve PDI customers *after* the rebasing period (i.e., Year 11 onwards). Hydro One will review the adjustments factors taking

[1] Adjustment factors are generically used to shift cost allocated between rate classes.

into account the actual capital costs at the time of future cost of service applications (see Section 4.0 below). By doing so, the direct assignment of capital costs to PDI customers will continue to remain accurate in the long term, and the fixed asset adjustment factors will reflect the most up-to-date asset cost data.

The OEB's cost allocation model uses fixed assets as the primary allocator for the costs of operating and maintaining distribution assets and since Hydro One proposes to use the principles embedded within the cost allocation model to allocate all other OM&A costs (e.g., customer, and administration and general costs), Hydro One will only track PDI's incremental OM&A costs until the time that PDI is harmonized into Hydro One's rate structure. The OM&A cost tracking during the deferral period will demonstrate the savings achieved from the acquisition at the time rates are harmonized, but is not required thereafter for use within the cost allocation model.

Hydro One cannot track, on an actual basis, either during the deferral period or after, the costs associated with certain Hydro One resources that PDI customers will enjoy the benefit of (i.e., those resources that are also required by and paid for by legacy customers). These costs, referred to as Shared Costs in Exhibit A, Tab 4, Schedule 1 (page 6 of 12) of this Application, include costs that cannot be directly associated with serving a specific group of customers. Any assignment of these Shared Costs to a specific customer group or rate class must be done through a cost allocation methodology.

4.0 COST ALLOCATION AND RATE DESIGN

This section of the Supplemental Evidence is intended to assist the Board by clarifying the cost allocation and rate design methodology that Hydro One proposes for acquired utilities, including any future harmonization of PDI.

(a) Separate Rate Classes

Hydro One believes that the best way to ensure that PDI customers are charged only their costs to serve is to introduce new rate classes for them. Creating new rate classes allows Hydro One to allocate to PDI customers only the cost of fixed assets used to serve them given the customer density and distribution system configuration of PDI's service area. As discussed below, fixed assets are a key driver of the majority of costs within the OEB's cost allocation model.[2] As a result, in order to determine the total cost to serve the acquired PDI customers, it is critically important that those customers are appropriately allocated their specific fixed asset costs.

Setting the rates for the new PDI customer rate classes in Year 11 and beyond will involve two key steps:

- a cost allocation methodology that ensures an appropriate allocation of fixed assets and their associated costs, as well as an allocation of Shared Costs; and
- a rate design methodology that utilizes the Board's approved range of revenue-to-cost ratios.

Both of these steps are aimed at ensuring that the costs to serve PDI customers are accurately reflected in rates. These steps also ensure that the rates payable by both PDI customers and Hydro One legacy customers are lower (or at least no greater) than they would be otherwise (i.e., had no acquisition occurred). Hydro One's proposals with respect to each of these steps are detailed below.

[2] As shown in Tab E4 "TB Allocation Details" of the OEB's cost allocation model, the allocation of the OM&A costs in UsofA 5005-5055 and 5085-5175 which captures all distribution related costs, are allocated based on the rate classes share of fixed asset accounts. In addition, the allocation of net income, interest, and depreciation costs to rate classes are also driven by fixed assets.

(b) Cost Allocation

In order to ensure the equitable treatment of both legacy and acquired customers, Hydro One proposes to use the principles underlying the OEB's cost allocation model to determine the cost allocation to all rate classes. To the extent necessary, the OEB's cost allocation model will be adjusted to achieve the following objectives:

1. Ensure that costs[3] allocated to the PDI rate classes reflect the fixed assets specifically used in PDI's service area.
2. Ensure that the PDI rate classes are appropriately allocated Shared Costs[4], which includes a share of upstream distribution assets required to provide service to PDI's service area.

Hydro One fully anticipates that the cost allocation process described above, and detailed in the following sections, will result in a fair and reasonable allocation of costs to the PDI rate classes that will be less than what the cost-to-serve the PDI customers would be if PDI is not acquired.

Allocation of Costs Based on Actual Fixed Asset Cost

The allocation of fixed assets within the cost allocation model is the key factor driving the allocation of the bulk of a utility's revenue requirement, including: a large portion of OM&A, depreciation, net income, and interest costs. The OEB's cost allocation model allocates a utility's total fixed assets costs to each rate class based on the peak load and number of customers in each rate class relative to the other classes. This approach to the allocation of fixed assets is appropriate when allocating costs to rate classes whose customers are spread out across

[3] Costs include capital related costs such as depreciation, net income and interest costs, as well as operations and maintenance costs associated with fixed assets used in PDI's service area.

[4] Hydro One's Shared Costs reflect: (i) shared facilities used to provide operations and maintenance services (i.e. service centres and maintenance yards), billing and IT system costs, and other miscellaneous general plant; (ii) OM&A costs associated with shared services, such as planning, finance, regulatory, human resources, information technology, customer services and corporate communications; and (iii) asset and related OM&A costs associated with upstream distribution facilities used by former PDI customers (i.e. costs formerly captured under LV charges).

a utility's service territory. However, if the objective is to determine the costs of serving a specific area within a utility's service territory, this approach does not take into account the unique characteristics (e.g. customer density, distribution system configuration) of the service area for which costs are being allocated.

Use of Adjustment Factors to More Accurately Reflect Costs

Given the critical role of fixed assets in the allocation of costs, and the fact that PDI's customers are located within a defined service area with its own unique characteristics, the use of adjustment factors within the cost allocation model is a way to ensure that the amount of fixed assets allocated to the PDI rate classes matches the amount of fixed assets specifically used to serve the customers within their service area. At the time of harmonization of PDI, Hydro One will know the amount of fixed assets that are used to serve the former PDI service territory[5] and proposes to include adjustment factors in its cost allocation model to ensure the appropriate amount of fixed assets are allocated to the PDI rate classes. This is effectively a direct allocation of locally-used fixed assets to PDI customers. In other words, the adjustment factor ensures a more accurate reflection of the fixed assets, and associated costs, required to serve PDI customers.

Adjustment factors are not a new concept within cost allocation models. Since 2012, the Board has approved the use of density factors to adjust the amount of costs allocated to Hydro One's density-based rate classes. A Street Light Adjustment Factor is used to adjust the number of customer connections associated with the streetlight class for cost allocation purposes. Weighting factors for Services and for Billing and Collections are used within the OEB's cost allocation model to ensure that rate classes are allocated an appropriate share of costs related to those functions.

[5] Consisting of the fixed assets at the time of acquisition plus any capital additions since acquisition.

Accordingly, Hydro One proposes to use the adjustment factors discussed above within its cost allocation model to determine the amount of gross fixed assets allocated by the model to the PDI rate classes. Given that depreciation and net fixed assets are directly associated with the value of gross fixed assets, Hydro One also proposes corresponding adjustments for those quantities.

Hydro One acknowledges that over time the adjustment factors may change as assets that were installed over a period of many years are replaced at current costs. However, the adjustment factors will always need to reflect the specific attributes (e.g. customer density, distribution system configuration) of the acquired utilities' service territory. In order to mitigate concerns with how those adjustment factors will be set in the future, as mentioned previously, Hydro One proposes to continue tracking the distribution gross fixed asset costs associated with serving the PDI customers, and update the adjustment factors at the time of future cost of service applications, as necessary.

Allocation of Shared Costs

Hydro One proposes to allocate Shared Costs to PDI's rate classes by applying the same allocation principles and allocators[6] normally used in the OEB's cost allocation model to allocate such costs. No adjustment factors will be applied for the purposes of allocating Shared Costs. This will ensure that the same principles and allocators are used to allocate Shared Costs to both Hydro One's legacy customers and PDI's rate classes, in order to equitably establish the costs of serving all rate classes.

Included in Shared Costs are the costs associated with upstream distribution facilities used by former PDI customers (i.e. costs formerly captured under LV charges). Hydro One will ensure that only the portion of the PDI load that was previously supplied through upstream distribution

[6] E.g., number of customers, weighted number of bills).

facilities (i.e. not supplied directly from the transmission system) is used to determine the allocation of upstream distribution costs to the PDI rate classes.

(c) Rate Design

The appropriate rate design applicable to PDI customers will be determined in the Year 11 rebasing, based on the OEB's rate design policies in effect at the time. However, based on the OEB's current practice, Hydro One proposes to determine the rates revenue to be collected from PDI customers as follows: (a) determine the revenue to cost ("R/C") ratio for all rate classes including PDI rate classes, by comparing the total revenue collected at current rates[7] against the costs allocated to each rate class; and (b) adjust the R/C ratios for each class if necessary to bring them within the Board's approved range. The Board's approved range of R/C ratios is a recognition of the fact that determination of costs by rate class is an *allocation* process that by its very nature is not a precise determination of the actual cost-to-serve a particular rate class[8]. Rates established based on a R/C ratio within the Board's approved range are considered to appropriately reflect the Board's rate setting objectives.

Hydro One fully anticipates that it will be possible to set rates for the PDI rate classes that result in a R/C ratio that both falls within the Board's approved ranges *and* results in an allocation of savings to both legacy and PDI customers. As discussed in Exhibit A, Tab 4, Schedule 1, Hydro One is committing to charge PDI customers no more than the higher goal post amount of $26.3M and no less than their residual cost to serve of $17.0M. Rates that collect revenues below the

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[7] Current rates for PDI will be the distribution rates that were frozen at the time of acquisition, plus any OEB-approved adjustments to those rates since the end of the rate-freeze period.
[8] Page 2, of EB-2007-0667 Report of the Board – Application of Cost Allocation for Electricity Distributors issued November 28, 2007 states "The Board also recognizes however, that cost allocation is by its very nature, a matter that calls for the exercise of some judgement, both in terms of the cost allocation methodology itself and in terms of how and where cost allocation principles fit within the broader spectrum of rate setting principles that apply to – and the objectives sought to be achieved in – the setting of utility rates".

upper goal post ($26.3M) will result in savings to the customers of PDI, while rates that collect revenues greater than the lower goal post ($17.0) will result in savings to legacy customers.

(d) <u>Outcome of Cost Allocation and Rate Design – "No Harm"</u>

Hydro One fully anticipates that the cost allocation methodology described above will result in a fair and reasonable allocation of costs to the PDI rate classes that will be less than what the cost-to-serve the PDI customers would be if PDI is not acquired.

Hydro One is also confident that the rate design process will result in rates that fall within the Board's approved R/C ratio ranges and will collect revenues from PDI customers that will be between the goal posts as described in Exhibit A, Tab 4, Schedule 1. This will ensure that no customers are harmed from a rate perspective.

Hydro One engaged Navigant Consulting Ltd. to evaluate whether the cost allocation and rate design approaches described in this supplemental evidence are appropriate and consistent with accepted regulatory practices. This includes, with respect to rate design, whether the adjustment of the revenue-to-cost ratio as described in the supplemental evidence is appropriate and consistent with accepted regulatory practices. Navigant concluded that the cost allocation and rate design approaches that Hydro One has described in this evidence are appropriate and consistent with accepted regulatory practices. A copy of Navigant's report is attached at Appendix A to this exhibit.

5.0 SHARING OF CONSOLIDATION SAVINGS

The question is not whether the PDI transaction will result in consolidation savings, but rather how those savings will be shared amongst customer groups. The outcome of the cost allocation model, and the resulting rates to be charged to legacy and PDI customers using the methodology described above, will establish the extent to which customers share the savings resulting from the harmonization. PDI's customers will be charged no more than what they would otherwise have been paying (i.e., costs to be collected will be between the "goal posts"). Hydro One's legacy customers will similarly be charged no more than what they would pay in the absence of a PDI acquisition. Any recovery of costs from PDI's customer classes "between the goalposts" (i.e., over their Total Residual Cost to Serve but less than the PDI Status Quo Total Cost to Serve) means that Hydro One legacy customers will receive benefits from the consolidation, as will PDI's customers.

To demonstrate that the cost allocation methodology is about the sharing of savings between PDI's customers and Hydro One legacy customers (and that neither of these customer groups will incur additional costs), Hydro One has provided in Table 2 below an illustrative example of Hydro One's proposed cost allocation and rate design in the context of a consolidation.

Table 2: Illustrative Cost Allocation Exercise ($M)

	Hydro One Legacy	**Acquired Utility**	**Combined**
Status Quo Revenue Requirement to be Collected From Customers	**$1000**	**$50**	**$1050**
Post-Consolidation Cost to Serve	1000	30	1030
Impact of Cost Allocation Model Treatment of Shared Costs	(15)	15	0
Post-Consolidation Cost Allocation	**985**	**45**	**1030**
Impact of Setting R/C Ratio Within Board Approved Range on Rates Revenue Requirement Collected from Customers	5	(5)	0
Post-Consolidation Rates Revenue Requirement	**$990**	**$40**	**$1030**
Consolidation Benefits	**($10)**	**($10)**	**($20)**

In the Table 2 illustration, the Status Quo revenue requirement to be collected from Hydro One's legacy customers is $1000M in Year 11. If there were no consolidations, Hydro One would recover this revenue requirement from existing Hydro One legacy customers. Similarly, the Status Quo revenue requirement of the acquired utility is $50M, which the acquired utility (in the absence of the consolidation transaction) would need to recover from its customers in Year 11. The combined distribution sector revenue requirement would be $1050M.

However, through consolidation, Hydro One is able to achieve savings of $20M to operate the distribution system of the acquired utility, thereby reducing the combined post-consolidation distribution sector revenue requirement to $1030M. These distribution sector savings of $20M align with the objective of the OEB's consolidation framework – namely, to ensure that the consolidation of the distribution sector results in beneficial outcomes for customers. There are clearly tangible benefits from this transaction. The question is only: how will the benefits achieved from the consolidation be shared among customers?

Hydro One believes that the savings from consolidation should benefit both legacy and acquired customers. As described in the cost allocation section above, Hydro One will use the OEB's cost allocation model to allocate costs to all customers, including customers of the acquired utility. The costs allocated will include both the residual costs to serve the acquired utility and a portion of Shared Costs. This allocation of Shared Costs represents the "savings" that will accrue to Hydro One's legacy customers.

In the Table 2 illustration, the cost allocation model has allocated $45M to the acquired utility ($30M in residual costs to serve plus $15M in Shared Costs). The $15M in Shared Costs are costs that will no longer be allocated to serve legacy customers. If the acquired utility has not had its rates rebased for an extended period of time, there could be a disparity between cost structures and rates in Year 11 regardless of the significant savings achieved. If this is the case, Hydro One will need to set R/C ratios within the Board's approved R/C ranges, which will impact the acquired utility's rates revenue requirement. For example, if the acquired utility's cost to serve of $45M is reduced by $5M as a result of setting the R/C ratios that will mean a total rates revenue requirement of $40M to be collected from the acquired utility's customers. This shifts $5M of the savings achieved from Hydro One legacy customers to the acquired customers. However, Hydro One's legacy customers will still benefit from the consolidation – their revenue requirement collected through rates is $10M lower than it would have been in the Status Quo. At the same time, the acquired utility's revenue requirement collected through rates is $40M versus $50M in the Status Quo.

Independent review of proposed cost allocation and rate design approach

Prepared in the context of the Hydro One and PDI and Hydro One and OPDC MAAD applications

Prepared for

hydro one

Prepared by

Benjamin Grunfeld
Managing Director

Navigant
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Toronto, Ontario M5X 1B1

navigant.com

April 26, 2019

Name and qualifications

My name is Benjamin Grunfeld. I am a Managing Director in Navigant's Global Energy Practice. I am the Canadian Power and Utilities Client Segment Leader. In this role, I am responsible for overseeing Navigant's business with regulated utilities and non-regulated energy companies in Canada. My area of expertise, as it relates to this proceeding, is cost allocation and rate design. For over 10 years I have advised clients in Ontario, across Canada, and around the world on cost allocation and utility rates design matters.

Scope of review

Navigant was engaged to evaluate whether the cost allocation and rate design approaches described in Hydro One's evidence are appropriate and consistent with accepted regulatory practices, including, with respect to rate design, whether the adjustment of the revenue-to-cost ratio as described in the evidence is appropriate and consistent with accepted regulatory practices.

Evidence reviewed

Navigant reviewed the following:

- Hydro One's September 26, 2018 mergers, acquisitions, amalgamations, and divestitures (MAAD) application to purchase OPDC, OEB proceeding EB 2018-0270 ("OPDC MAAD Application"), and Hydro One's October 12, 2018 MAAD application to purchase PDI, OEB proceeding EB-2018-0242 ("PDI MAAD Application");
- Hydro One's April 26, 2019 supplemental evidence filed in the OPDC MAAD Application at Exhibit A, Tab 5, Schedule 1 ("OPDC Supplemental Evidence") and Hydro One's April 26, 2019 supplemental evidence filed in the PDI MAAD Application at Exhibit A, Tab 5, Schedule 1 ("PDI Supplemental Evidence"); and
- The 2021 cost allocation model that Hydro One filed as part of Hydro One's 2018 to 2022 distribution rate application ("Distribution Rate Cost Allocation Model") as part of OEB proceeding EB-2017-0049 at Exhibit G1, Tab 3, Schedule 1, Attachment 4; and
- The relevant sections (i.e. those related to Issue 56) of the OEB's decision and order regarding Hydro One's 2018 to 2022 distribution rate application ("Distribution Rate Decision") as part of OEB proceeding EB-2017-0049.

The proposed approach to cost allocation and rate design described in the OPDC Supplemental Evidence and the PDI Supplemental Evidence incorporates changes relative to the approach outlined in the Distribution Rate Cost Allocation Model. However, several elements are the same, and the Distribution Rate Cost Allocation Model provided Navigant with a worked, numerical, example of the approach upon which to perform a detailed review.

Summary conclusions

Navigant believes that the cost allocation and rate design approaches described in the OPDC Supplemental Evidence and the PDI Supplemental Evidence are appropriate and consistent with accepted regulatory practices.

Basic principles of cost allocation

The primary purpose of cost allocation is to aid in the design of rates. The National Association of Regulatory Utility Commissioners (NARUC) Electric Utility Cost Allocation Manual describes five ways regulators rely on cost allocation studies:

1. To attribute costs to different categories of customers based on how those customers cause costs to be incurred;
2. To determine how costs will be recovered from customers within each customer class;
3. To calculate costs for individual types of service based on the costs each service requires the utility to expend;
4. To determine the revenue requirement for the monopoly services offered by the utility in both monopoly and competitive markets; and
5. To separate shared costs between different regulatory jurisdictions.[1]

Preparing a cost allocation study involves three fundamental steps:

1. Functionalising a utility's costs (e.g., production, transmission, distribution, customer service, general and administrative);
2. Classifying the costs (demand, energy, customer); and
3. Allocating the costs to customer classes.

The result of a cost allocation study is a summation of costs attributed to the provision of service to a group, or class, of customers. The study generally takes as the starting point the utility's prudent costs of doing business. From there, several basic principles guide the process of allocating costs to different customer classes. The foremost principle is cost causation – costs should be borne by those causing the

[1] NARUC. "Electric Utility Cost Allocation Manual". January 1992.

incurrence of such costs or benefitting from the service. Additional guiding principles include ensuring fair allocation between groups and avoiding undue discrimination.

Cost causation refers to an attempt to determine what, or who, is causing costs to be incurred by the utility. Direct assignment is always the preferred approach for attributing costs to customer classes and should be used where a direct link can be made between costs and the service provided to specific customers. However, usually only a small percentage of a utility's costs can be directly assigned because most costs are incurred by a utility to jointly serve many classes of customers. Costs that cannot be directly assigned, such as joint or common costs, are allocated. Utility operational structures may also dictate which costs can be directly assigned to specific customer classes. Utility operations are typically organised to provide service to customers without regard to their rate class.

Cost allocation studies and the resulting attribution of costs to customer classes often appear to be quite precise. In practice, however, any allocation framework requires many assumptions and subjective judgements.

OEB principles of cost allocation for electricity distribution

The OEB established a uniform way to functionalise, classify, and allocate electricity distribution costs to customer classes. The Uniform System of Accounts (USofA) is organised by function and is the required form for functionalising costs incurred by electricity distribution companies. A trial balance by account is one of the first inputs to a cost allocation study. For Ontario electricity distributors, the process of classifying and allocating costs is also standardised through the OEB's cost allocation model (CAM). Through the CAM, each USofA is assigned as either demand- or customer-related (or a combination of both), and specific allocation factors are assigned to spread the relevant costs across customer classes.

Navigant is familiar with the CAM, including the establishment of customer classes and development of allocation factors. Generally, the policies embedded in the CAM are consistent with cost allocation principles and policies employed across the industry in North America.

Navigant is aware of a limited number of exceptions to the standard application of the CAM. Hydro One, for example, has density-based rate classes and applies adjustment factors within the CAM to modify the allocation of costs between the density-based rate classes (e.g., urban, rural, etc.) within a given customer segment (e.g., residential, demand-billed general service, etc.). These exceptions require the approval of the OEB and are thoroughly reviewed through the application process.

Basic principles of rate design

Likely the most widely cited work on utility ratemaking is the 1961 publication "Principles of Public Utility Rates" by Professor James C. Bonbright in which he identified guiding principles for rate design. To paraphrase, rates should be designed:

1. To yield enough revenue to recover costs;
2. Based on a fair apportionment of costs among different customers and avoiding 'undue discrimination' in rate relationships;
3. To provide efficient price signals and discourage wasteful usage; and
4. To be relatively stable, predictable, simple, and easy to understand.

The cost allocation study provides the basis for ensuring costs and revenue are apportioned fairly among customer classes. While great effort is expended to identify cost drivers and appropriate allocation factors to spread costs among customer classes, allocation factors are naturally subject to judgment and imprecision.

The theoretical ideal of cost-of-service-based rate design is to develop rates that precisely recover the costs allocated to a respective customer class. When revenue equals allocated costs, the class has a revenue-to-cost ratio of one. In practice, this outcome is rarely achieved. Consequently, it is generally accepted that an appropriate outcome is a revenue-to-cost ratio that falls within a range around one. Determining the appropriate level of tolerance that can be allowed and still result in rates that are just and reasonable is the subject of much debate.

Approaches for tying rate design to cost allocation studies vary widely across Canada and the United States. Navigant has not performed an exhaustive study of standards applied by regulators and public service commissions in each province or state, but we are aware that various policies are followed. Examples range from requiring all classes to be within one percent of cost of service, to simply viewing the cost allocation study as one of many factors to be considered when setting rates. Navigant believes it is generally recognised that allowing a utility flexibility to deviate from a revenue-to-cost ratio of one is an appropriate response to the imprecise cost allocation process and a reasonable approach to balance competing rate design objectives.

OEB principles of rate design for electricity distribution

Like the cost allocation protocols employed in the CAM, the OEB has established standardised classes and a standardised rate structure for each class.

In 2007, the OEB adopted a policy recognising “bands or ranges of tolerance” around revenue-to-cost ratios of one. The OEB concluded that a range approach is preferable to the implementation of a specific revenue-to-cost ratio, stating, “a revenue-to-cost ratio of one may not be achievable or desirable for other reasons (for example, to accommodate different rate design objectives)”.[2] The OEB decision was informed by an analysis of existing ranges in place across electricity distributors, reflecting the assumptions and judgments at the time when determining the respective levels of rates. The OEB approach was an incremental step, moving toward cost-of-service-based rates, and the OEB expects that over time the bands will narrow and move closer to one.

Criteria for assessing whether cost allocation approach described in the OPDC Supplemental Evidence and PDI Supplemental Evidence is appropriate and consistent with accepted regulatory practices

Navigant was asked to review whether Hydro One’s cost allocation as described in the OPDC Supplemental Evidence and the PDI Supplemental Evidence is appropriate and consistent with accepted regulatory practices. Navigant’s review focused on the proposal’s adherence to the principle of cost causation and consistency with methods adopted in the OEB cost allocation model. To the extent Hydro One’s proposal represents a deviation from approved OEB policy, Navigant reviewed the proposed method and associated justification to determine whether the departure remained consistent with general cost allocation principles.

Assessment of Hydro One approach

Hydro One proposed to use the existing CAM framework – in particular, using allocated fixed assets (or plant) and customer numbers as the primary basis for allocating operations, maintenance, and administrative costs, and other elements of Hydro One’s revenue requirement – to determine the cost to serve acquired utility customers.

The OEB’s CAM follows many well-established cost allocation practices for distribution utility functions. Consistent with the principles described in the NARUC Electric Utility Cost Allocation Manual, the CAM classifies plant accounts as either demand or customer related, or a combination of both. The classified plant is allocated based on the contribution of each class to peak demand or total customers. The same

[2] Ontario Energy Board, Application of Cost Allocation for Electricity Distributors, Report of the Board, EB-2007-0667, November 28, 2007.

allocation approach is applied to the depreciation expense. Allocated plant is then used to derive the allocation of most operation and maintenance expenses, which in turn is used to allocate administrative costs.[3] Allocated plant is also used to spread net income, taxes, and interest expense to each customer class.

To distinguish customers in the acquired utility service territory from legacy customers, Hydro One proposed to create unique customer classes for customers from the acquired utility. Hydro One supports the creation of new customer classes stating, "[it] allows Hydro One to allocate to [acquired] customers only the actual cost of fixed assets used to serve them given the customer density and distribution system configuration of [the acquired] service area". To the extent that the cost to serve the acquired utility customer classes is different from the cost to serve Hydro One's legacy customer classes, this is a valid justification for creating unique classes for customers from the acquired utility.

Hydro One proposed to include an adjustment factor within the CAM to modify the gross fixed assets and depreciation expense allocated to the acquired utility customer classes. Hydro One proposed to develop the adjustment factor by comparing the gross value of directly tracked fixed assets plus the gross value of the portion of Hydro One's upstream distribution facilities that supply the acquired customers to the value of gross fixed assets that is allocated to the acquired classes using the CAM's standard demand and customer allocation factors.

Application of the adjustment factor serves three purposes:

1. To restate the gross fixed assets allocated to the acquired customers as if those costs were directly assigned;
2. To restate the depreciation expense allocated to the acquired customers; and
3. To allow the adjusted gross fixed assets by customer class to flow through the CAM to derive allocation factors for accounts that are allocated based on allocated plant.

Direct assignment of gross fixed assets in the acquired utility service territory, quantified as the recorded value of the assets at the time of acquisition plus subsequent capital additions, is the distinguishing feature of Hydro One's proposed approach. Directly tracking the distribution plant in service for the benefit of specific customers provides a basis for allocating operation and maintenance costs, along with shared administrative costs, among acquired and legacy customers and determining the cost to serve each

[3] Customer/bill counts by class are also used to allocate expense in customer-related operations, maintenance and administrative accounts

group. Similar approaches are commonly utilised by multi-jurisdictional utilities with assets and customers dispersed over distinct geographies or regulatory jurisdictions.

As stated previously, direct assignment is always the preferred approach for allocating costs to customer classes and should be used where a direct link can be made between the costs incurred and the service provided to specific customers. Navigant believes the fixed asset adjustment factors are a reasonable representation of a direct assignment of gross plant to the acquired customers.

In Hydro One's Distribution Rate Cost Allocation Model depreciation expense related to the accounts corresponding to the directly-assigned assets was also scaled by the gross fixed asset adjustment factors. Navigant believes this adjustment is required to match the allocation of gross plant and depreciation expenses.

The downstream impacts of the adjustment factors result in a reasonable allocation of operations, maintenance, and administrative costs and the other elements of Hydro One's revenue requirement to both the acquired and legacy customers, as the allocation follows the standard approach within the CAM.

In the OPDC Supplemental Evidence and the PDI Supplemental Evidence Hydro One committed to continue to track capital costs to serve acquired customers beyond the Year 11 rebasing and "update the adjustment factors at the time of future cost of service applications". This commitment is important because it enables Hydro One to maintain the proper apportionment of plant to the acquired customer classes as subsequent capital is invested and other circumstances (e.g., system configuration, customer mix, usage patterns, etc.) in the acquired service territory change.

Navigant believes the cost allocation approach embedded in the CAM is consistent with accepted cost allocation principles and industry practice. Furthermore, the adjustments proposed by Hydro One, provide a reasonable basis for determining the cost to serve the acquired utility customers.

Criteria for assessing whether rate design, in particular the use of revenue-to-cost ratio, as described in the OPDC Supplemental Evidence and PDI Supplemental Evidence is appropriate and consistent with accepted regulatory practices

Navigant was asked to review whether Hydro One's proposed application of the revenue-to-cost ratio to acquired utility customer classes as described in the OPDC Supplemental Evidence and the PDI Supplemental Evidence is appropriate and consistent with accepted regulatory practices. Navigant's review focused on whether it is reasonable to establish acquired customer class revenue targets at a revenue-to-cost ratio other than one. Navigant evaluated Hydro One's proposed application of the revenue-to-cost ratio and associated justification to gauge the extent to which it adhered to general rate design principles and OEB policy.

Assessment of Hydro One approach

After the 10-year rate stabilisation period, Hydro One's Year 11 rebasing filing will provide an updated comparison of the costs allocated to each rate class and the revenue collected at then-current rates. Hydro One anticipates adjusting rates and hence the expected revenue recovered from each class as needed to ensure acquired customer classes fall within the OEB approved revenue-to-cost ratio range while at the same time maintaining expected revenue between the status quo and the residual cost to serve the acquired utility customers.

The actual effect of rebasing acquired customer rates through Hydro One's proposed cost allocation method will not be known for many years. At the time of the Year 11 rebasing filing, rates for acquired customers will not have been rebased for a period of at least ten years and are likely to fall short of recovering the allocated costs. For example, in the Distribution Rate Cost Allocation Model several acquired customer rate classes were well within the OEB established revenue-to-cost range, while others were below the low end of the range and required adjustment.

Navigant believes that providing a range of acceptable revenue-to-cost ratios is a reasonable approach to provide the necessary flexibility to recognise the imprecision inherent in cost allocation as a determinant of cost to serve and the need to balance potentially competing rate design objectives such as setting rates that reflect the cost to serve while mitigating large one-time rate increases. Navigant's assessment is grounded in the practical reality that, while theoretically ideal, a revenue-to-cost ratio of one is seldom achieved. For various reasons utility regulators rarely, if ever, set immovable point targets for the revenue-to-cost ratio recognising that flexibility within a range is desirable to enable other fundamental objectives of the rate design process.

Hydro One's proposal, to continue to recognise the OEB-approved revenue-to-cost ratio ranges, provides flexibility when setting rates through which the benefits of the acquisition can be shared between the acquired and legacy customers while protecting the acquired customers from rates that could exceed the status quo cost of service. Over time, Hydro One should view the revenue-to-cost ratios for the acquired rate classes through the same lens it views the revenue-to-cost ratios for similar legacy customer classes. As rates harmonise and the benefits of the acquisition are realised by customers, the range of revenue-to-cost ratios achieved could narrow and trend toward a ratio of one.

Peterborough Utilities Group

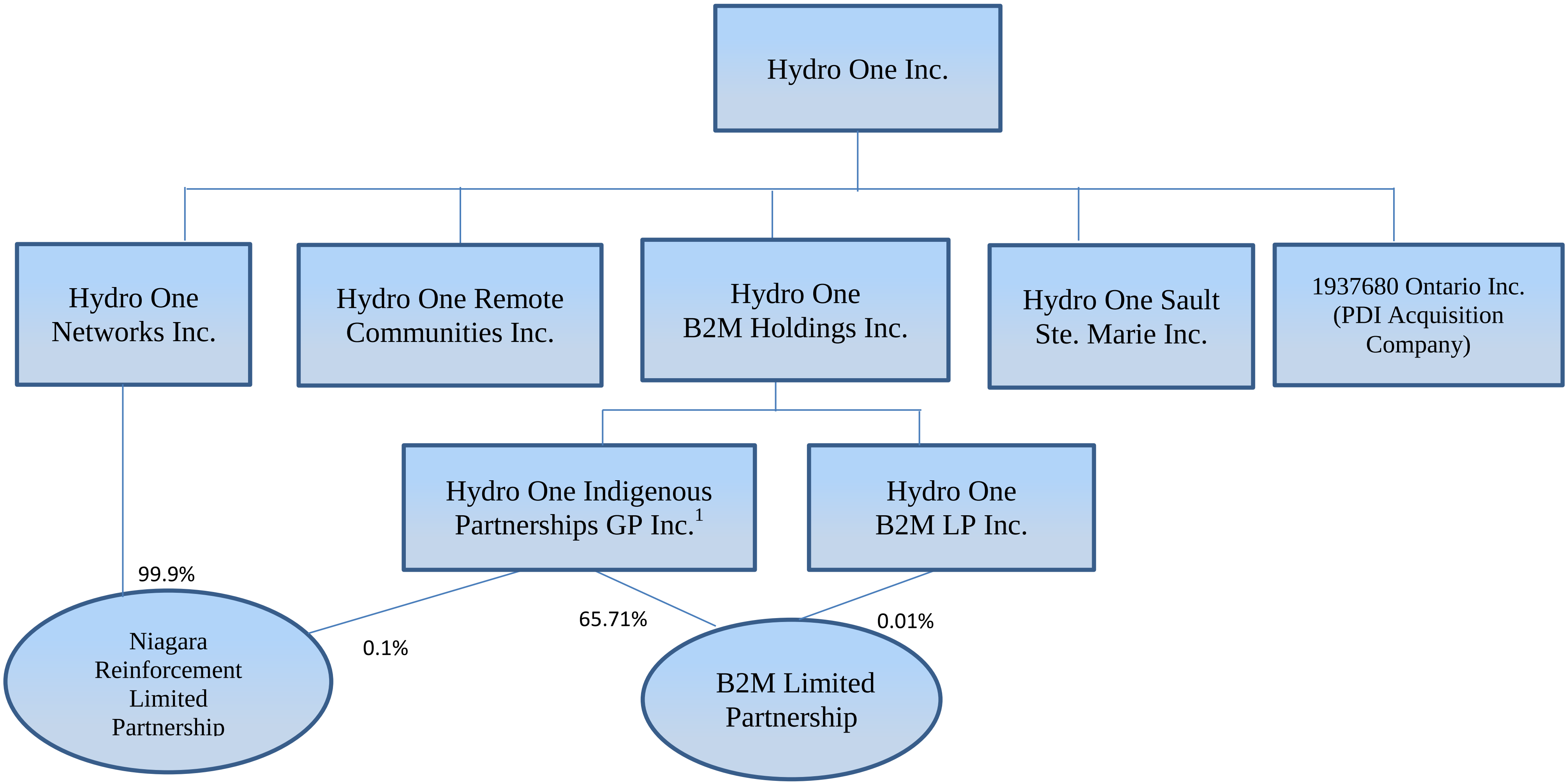
- City of Peterborough
  - City of Peterborough Holdings Inc (CoPHI)
    - Peterborough Utilities Services Inc.
    - Peterborough Distribution Inc.
    - Peterborough Utilities Inc. — Electric Generation and Retail Activities
  - Peterborough Utilities Commission
    - Peterborough Utilities Commission — Water Utility

PDI Customer Counts[1]

	Number of Customers
Residential	33,482
General Service < 50kW	3,504
General Service >= 50kW	361
Large User	2
Sub-Transmission	-
Total	**37,349**

[1] 2017 OEB Yearbook

Hydro One Inc. Corporate Structure



1 – Formerly B2M GP Inc.

Hydro One Customer Counts[1]

	Number of Customers
Residential	1,199,513
General Service < 50kW	111,284
General Service >= 50kW	8,744
Large User	-
Sub-Transmission	544
Total	**1,320,085**

[1] OEB 2017 Yearbook

THE CORPORATION OF THE CITY OF PETERBOROUGH

-and-

CITY OF PETERBOROUGH HOLDINGS INC.

-and-

PETERBOROUGH DISTRIBUTION INC.

-and-

PETERBOROUGH UTILITIES SERVICES INC.

-and-

1937680 ONTARIO INC.

-and-

HYDRO ONE INC.

ASSET PURCHASE AGREEMENT

Dated the 31st day of July, 2018

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT made the 31st day of July, 2018 (the "**Effective Date**").

B E T W E E N:

THE CORPORATION OF THE CITY OF PETERBOROUGH, a municipal corporation under the laws of Ontario, (the "**City**")

- and -

THE CITY OF PETERBOROUGH HOLDINGS INC., a corporation incorporated under the laws of Ontario, ("**COPHI**")

- and -

PETERBOROUGH DISTRIBUTION INC., a corporation incorporated under the laws of Ontario, (the "**Corporation**")

- and -

PETERBOROUGH UTILITIES SERVICES INC., a corporation incorporated under the laws of Ontario, ("**PUSI**")

- and -

1937680 ONTARIO INC., a corporation incorporated under the laws of Ontario, (the "**Purchaser**")

- and -

HYDRO ONE INC., a corporation incorporated under the laws of Ontario, ("**Hydro One**")

Recitals

1. The Corporation is a local electricity distribution company ("**LDC**") incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") owning certain plant and equipment (the "**Distribution Facilities**") by which it distributes electricity to consumers and businesses (hereinafter referred to as the "**Customers**") within the boundaries of the City of Peterborough, the Village of Lakefield and the Town of Norwood (the "**Business**");

2. PUSI provides human resources, office facilities and equipment to the Corporation and its Affiliates and is the registered owner of certain assets related to or used by the Corporation in the performance of the Business;

3. The City is the beneficial and registered owner of all of the issued and outstanding shares of COPHI, and COPHI is the beneficial and registered owner of all of the issued and outstanding shares of the Corporation and PUSI;

4. The Corporation and PUSI (collectively, the "**Vendor**") has agreed to sell the Business (including the Distribution Facilities and certain land rights and other assets used in the Business) to the Purchaser and the Purchaser has agreed to purchase the Business from the Vendor, for the consideration and on the terms and conditions provided in this Agreement;

5. The Purchaser has agreed to continue to operate the Business and distribute electricity to the Customers following the Closing of the Transactions as contemplated herein;

6. Prior to execution of the Agreement, COPHI incorporated 2642830 Ontario Inc. ("**NewCo**"), and within 120 days after execution of this Agreement, COPHI shall cause PUSI to transfer to NewCo all of PUSI's assets other than the Purchased Assets and 1867 Ashburnham Drive;

7. COPHI will amalgamate the Corporation and PUSI (the "**Amalgamation**") prior to Closing and the amalgamated corporation ("**AmalCo**") shall thereafter be the successor to the Vendor's obligations, conditions and rights provided for in this Agreement; and

8. COPHI and the City (as shareholder of COPHI), have provided their consent to the Transactions.

THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations and warranties of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties covenant and agree as follows.

ARTICLE 1
INTERPRETATION

1.1 Defined Terms. In this Agreement, including the Recitals, and schedules hereto, unless the context otherwise specifies or requires, the following terms shall have the respective meanings specified or referred to below and grammatical variations of such terms shall have corresponding meanings:

(a) "**Absolute Value**" means the magnitude of a numerical value without regard to its positive or negative sign.

(b) "**Accounts Receivable**" means all accounts receivable, trade accounts receivable, notes receivable, all amounts owing or to become due from the Customers and includes all book debts and other debts due or accruing due to the Corporation, and the full benefit of any related security.

(c) "**Additional Rights**" has the meaning ascribed thereto in Section 5.8.

(d) "**Advisory Committee**" has the meaning ascribed thereto in Section 6.4.

(e) "**Affiliate**" has the meaning ascribed thereto in the OBCA.

(f) "**Agreement**" means this asset purchase agreement, including all schedules attached hereto, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.

(g) "**AmalCo**" means the amalgamated corporation resulting from the amalgamation of the Corporation and PUSI prior to Closing.

(h) "**Amalgamation**" has the meaning attributed to that term in the recitals.

(i) "**Ancillary Agreements**" means the Municipal Access Agreement and the lease agreement for 1867 Ashburnham Drive entered into as of the date hereof.

(j) "**Applicable Law**" means any and all applicable laws, including Environmental Laws, common law, statutes, codes, licensing requirements, directives, rules, regulations, protocols, policies, by laws, guidelines, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any Governmental Authority, including without limitation, the OEB.

(k) "**Assigned Contracts**" has the meaning ascribed thereto in Schedule 2.1(a)(iv).

(l) "**Assumed Liabilities**" has the meaning attributed to that term in Section 2.3(b).

(m) "**Auditor**" means Collins Barrow, Chartered Accountants.

(n) "**Books and Records**" means all books, records, files and papers of the Corporation including title documentation, computer programs (including source codes and software programs), computer manuals, regulatory filings and correspondence with Governmental Authorities, computer data, financial working papers, financial books and records, business, environmental and operational reports and forecasts, 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, all other documents and data (technical or otherwise) relating to the Corporation or the Business, and all copies and recordings of the foregoing.

(o) "**Business**" means the business of distributing electricity in the City of Peterborough, the Village of Lakefield and the Town of Norwood, carried on, historically, by the Corporation in conjunction with its Affiliates.

(p) "**Business Day**" means a day other than a Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.

(q) "**Change in Applicable Law**" means:

(i) the enactment, introduction or tabling of any Canadian federal or provincial legislation (whether by statute, regulation, order in council, notice of ways and means motion or otherwise);

(ii) a ruling, order or decision of the OEB, including a ruling, order or decision of the OEB relating to an LDC other than the Corporation;

(iii) the issuance, modification or revision of the OEB's existing Electricity Distribution Rate Handbook, or the issuance of any rule, procedure, code, policy or directive by the OEB; and

(iv) a directive, guideline or policy statement of a Governmental Authority taking effect after the Effective Date.

(r) "**City**" means The Corporation of the City of Peterborough, its successors and permitted assigns.

(s) "**Claim**" means any demand, action, investigation, inquiry, suit, proceeding, claim, assessment, judgment or settlement or compromise relating thereto and includes any act, omission or state of fact actionable under or contrary to Applicable Law (including for clarity and without limitation, in contract, tort, or equity).

(t) "**Closing**" means completion of the Transactions contemplated herein on the Closing Date and in accordance with the provisions of this Agreement.

(u) "**Closing Date**" means the first date which is the first day of a month and at least ninety (90) days following the date that the Required Approvals have been obtained or such earlier or later date as may be agreed to by the Parties in writing.

(v) "**Closing Date Financial Statements**" means audited financial statements of AmalCo for the fiscal period ended on the Closing Date, prepared in accordance with GAAP consistently applied on the same basis as the Initial Financial Statements, and consisting of a balance sheet as of such date and statements of operations, retained earnings, and cash flow for such period, addressed to COPHI, the City and the Purchaser together with the Auditor's working papers.

(w) "**Closing Date NFA**" means the value of NFA transferred to the Purchaser on the Closing Date.

(x) "**Closing Date Regulatory Accounts**" means the value of the Net Regulatory Accounts transferred on the Closing Date.

(y) "**Closing Date Transfer Values**" means the Closing Date NFA, Closing Date Working Capital, and Closing Date Regulatory Account values.

(z) "**Closing Date Working Capital**" means the value of Working Capital transferred to the Purchaser on the Closing Date. For certainty, Working Capital transferred includes the Working Capital attributable, without duplication, to the Purchased Assets, Assumed Liabilities and the amount funded for the Funding of Outstanding Amounts.

(aa) “**Collective Agreement**” means the collective agreement between PUSI, the Corporation, Peterborough Utilities Inc. and Local Union 636 of the International Brotherhood of Electrical Workers expiring March 31, 2022.

(bb) “**Commissioner**” has the meaning ascribed thereto in Section 7.2.

(cc) “**Competition Act**” has the meaning ascribed thereto in Section 7.2.

(dd) “**Competition Act Approval**” has the meaning ascribed thereto in Section 7.2(c).

(ee) “**Competition Act Notification**” has the meaning ascribed thereto in Section 7.2.

(ff) “**Confidential Disclosure Schedule**” means that confidential disclosure schedule which the Corporation delivered to the Purchaser prior to the execution of this Agreement, as may be amended by mutual agreement of the parties up to the Closing Date.

(gg) “**Confidential Information**” has the meaning ascribed thereto in Subsection 6.8(b)(i).

(hh) “**Confidentiality Agreement**” means the confidentiality provisions in the Exclusivity Agreement between COPHI and Hydro One dated June 22, 2015.

(ii) “**Contract**” means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral.

(jj) “**COPHI**” means The City of Peterborough Holdings Inc., its successors and permitted assigns.

(kk) “**Corporation**” means Peterborough Distribution Inc., its successors and permitted assigns.

(ll) “**CTA**” means the *Taxation Act*, 2007 (Ontario) and any regulation made thereunder.

(mm) “**Current Rates**” means those Rates specified in the Rate Order, and as presented under the column entitled “2018” in Schedule 6.5 of this Agreement.

(nn) “**Customers**” has the meaning ascribed thereto in the Recitals.

(oo) “**Data Room**” means the Peterborough Distribution Inc. data site located at https://extranet.blg.com/clients/PeterboroughHydro as at September 30, 2015.

(pp) “**Deductible**” has the meaning ascribed thereto in Subsection 11.7(a).

(qq) “**Deliveries**” has the meaning ascribed thereto in Section 2.7(a).

(rr) “**Deposit**” has the meaning ascribed thereto in Section 2.6.

(ss) “**Direct Claim**” has the meaning ascribed thereto in Section 11.3(a).

(tt) "**Distribution Facilities**" means all overhead and underground single phase line and three phase line together with all associated secondary distribution circuits, poles, supports, ducts, vaults, conductors, cross-arms, anchors and guys, pins, racks, brackets, insulators, clevises, transformers and devices, substations, switches, arrestors, cut-outs, meters and devices, telecom and protection and control assets, and other miscellaneous hardware and accessories heretofore used in the Business or owned by the Corporation.

(uu) "**EA**" means the *Electricity Act*, 1998 (Ontario), as amended and as in effect on the date hereof.

(vv) "**Easements**" means those easements listed in Schedule 3.1(i).

(ww) "**Effective Date**" means the date of this Agreement as first stated above.

(xx) "**Employee Fact Sheet**" has the meaning ascribed thereto in Section 5.6.

(yy) "**Employee Liabilities**" means all liabilities of the Employees for past services to the Vendor, that are accrued and recorded in Working Capital, being accrued vacation pay, accrued sick leave, accrued pension plan contributions, accrued wages, accrued banked overtime, and all statutory deductions and directed deductions arising from employee remuneration, including the employer portion of remittances: (i) Canada Pension Plan premiums; (ii) Employment Insurance; (iii) Workers Safety Insurance Board premiums; (iv) Ontario Employer Health Tax, but for greater certainty, excluding Vested Sick Leave.

(zz) "**Employee Liability Calculation**" means the difference between the net book value of the Employee Liabilities in respect of the Wave 2 Employees as of the Wave 2 Employees Transfer Date (calculated consistently and on the same basis as the Employee Liabilities in respect of Wave 2 Employees as reflected on the Closing Date Financial Statements) and the net book values of such Employee Liabilities in respect of the Wave 2 Employees on the Closing Date as contemplated in Schedule 1.1(zz).

(aaa) "**Employee Plans**" has the meaning attributed to that term in Subsection 3.1(l)(iv).

(bbb) "**Employees**" has the meaning ascribed in Section 6.1(a).

(ccc) "**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, any matter capable of registration against title, option, right of pre-emption, privilege or any Contract to create any of the foregoing.

(ddd) "**Environment**" means the environment or natural environment as defined in any Environmental Law and includes air, surface water, ground water, land surface, soil, sub surface strata and sewer system.

(eee) “**Environmental Approvals**” means all permits, certificates, licences, authorizations, consents, registrations, directions, instructions, waste generation numbers or approvals required pursuant to Environmental Laws with respect to Real Property or the operation of the Corporation or its Business.

(fff) “**Environmental Laws**” means all Applicable Law relating in whole or in part to the protection of the Environment or to public health and safety, and includes those relating to the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, transportation or handling of Hazardous Substances.

(ggg) “**ETA**” the *Excise Tax Act* (Canada) and any regulation made thereunder.

(hhh) “**Excluded Assets**” means those assets listed in Schedule 2.2.

(iii) “**Excluded Information System Assets**” means those assets listed in Schedule 2.2.

(jjj) “**Excluded Liabilities**” has the meaning ascribed thereto in Section 2.4.

(kkk) “**Excluded Properties**” has the meaning ascribed thereto in Subsection 2.2(g).

(lll) “**Five Year Fixed Payment Amount**” means $700,000.

(mmm) “**Fixed Assets**” means fixed assets, furnishings, parts, tools, Personal Property, fixtures, plants, buildings, structures, erections, improvements, appurtenances, computer hardware and software, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, material, poles, pipelines, fittings and any other similar or related item of the Business.

(nnn) “**Fleet**” means all vehicles used in the Business as described in Schedule 1.1(ooo).

(ooo) “**Funding of Outstanding Amounts**” has the meaning attributed to that term in Section 2.3(a).

(ppp) “**GAAP**” means the generally accepted accounting principles (including the methods of application of such principles accepted or recommended by the Chartered Professional Accountants Canada) which are applicable in Canada as at the date on which any calculation made hereunder is to be effective (currently IFRS).

(qqq) “**Governmental Authority**” means any domestic government, whether federal, provincial, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government including the OEB and the IESO.

(rrr) “**Hazardous Substances**” means any hazardous substance or any pollutant or contaminant, toxic or dangerous waste, substance, or material as defined in or regulated by any Environmental Law including, without limitation, friable asbestos and poly chlorinated biphenyls.

(sss) "**HONI**" means Hydro One Networks Inc. its successors and assigns.

(ttt) "**HST**" means all taxes payable under Part IX of the ETA (including where applicable both the federal and provincial portion of those taxes) or under any provincial legislation imposing a similar value added or multi staged tax.

(uuu) "**Hydro One**" means Hydro One Inc., its successors and assigns.

(vvv) "**IESO**" means the Independent Electricity System Operator, and its successors and assigns.

(www) "**IFRS**" means International Financial Reporting Standards.

(xxx) "**Indemnified Party**" has the meaning ascribed thereto in Section 11.3.

(yyy) "**Indemnifying Party**" has the meaning ascribed thereto in Section 11.3.

(zzz) "**Independent Auditor**" has the meaning ascribed thereto in Subsection 2.7(f).

(aaaa) "**Information System Assets**" means those assets identified as such in Schedule 2.1(a)(x).

(bbbb) **"Initial Financial Statements"** means the audited financial statements of the Corporation as at December 31, 2015 prepared in accordance with GAAP, copies of which are attached as Schedule 1.1(bbbb).

(cccc) "**Initial NFA**" means the NFA in the Initial Financial Statements plus the amount of $885,000 representing the December 31, 2014 PUSI net book value of the Fleet.

(dddd) "**Initial Regulatory Accounts**" means the Net Regulatory Accounts shown in the Initial Financial Statements.

(eeee) "**Initial Working Capital**" means $5,750,000.00 which is the working capital as stated in the Initial Financial Statements and as further contemplated in Schedule 2.5.

(ffff) "**Intellectual Property**" has the meaning ascribed thereto in Subsection 3.1(j).

(gggg) "**Inventories**" means inventories, including all finished goods, works-in-progress, raw materials, spare parts, replacement parts, and all other materials and supplies to be used or consumed by the Corporation or PUSI in the operation of the Business.

(hhhh) "**LDC**" means a local electricity distribution company.

(iiii) "**Licence Integration**" means the termination by Purchaser of licenced operations and the commencement by HONI of service to Customers (as approved by the OEB as part of the OEB Approval).

(jjjj) "**Licences**" has the meaning ascribed thereto in Subsection 3.1(r).

(kkkk) "**Location Guarantee**" has the meaning ascribed thereto in Subsection 6.1(a).

(llll) "**Losses**" means any and all loss, liability, damage, cost, expense (including, reasonable legal fees, accountants', investigators', engineers' and consultants' fees and expenses, interest, penalties and amounts paid in settlements), charge, fine, penalty or assessment, suffered or incurred by the Person seeking indemnification, whether resulting from any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, or any cause, matter, thing, act or omission or state of facts not involving a third party directly resulting from or arising out of any Claim, including the costs and expenses of any action, suit, proceeding, investigation, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto, but: (i) excluding any contingent liability until it becomes actual; and (ii) reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage; or pursuant to any claim, recovery, settlement or payment by or against any other Persons.

(mmmm) "**Material Adverse Effect**" means any event, occurrence, fact, condition or change that is materially adverse to (a) the business, results of operations, financial condition or assets of the Business, or (b) the ability of Vendor to consummate the transactions contemplated hereby; provided however, that "Material Adverse Effect" shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Business operates; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of the Purchaser; (vi) any changes in Applicable Laws or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (vii) the announcement, pendency or completion of the transactions contemplated by this Agreement, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Vendor and the Business; (viii) any natural or man-made disaster or acts of God; or (ix) any failure by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded.

(nnnn) "**Material Contract**" means any Contract which has a value exceeding Fifty Thousand Dollars ($50,000.00) in annual payments, excluding any collective bargaining agreements, and shall be deemed to include any software licence other than of the shrink-wrap or click-wrap variety.

(oooo) "**MOE**" means the Ontario Ministry of Environment and Climate Change and its successors.

(pppp) "**Municipal Access Agreement**" means the agreement entered into between the City and the Purchaser regarding the applicable Distribution Facilities located on City-owned lands.

(qqqq) "**Negative Rate Rider**" has the meaning ascribed thereto in Subsection 6.5(a).

(rrrr) "**Net Regulatory Accounts**" means the aggregate value of the regulatory asset account balances and the regulatory liability account balances of the Corporation.

(ssss) "**NewCo**" has the meaning ascribed thereto in the recitals.

(tttt) "**NFA**" means the aggregate net book value of property, plant, and equipment, net of deferred contributions.

(uuuu) "**NFA Calculation**" has the meaning ascribed thereto in Subsection 2.7(a)(ii).

(vvvv) "**NFA Index**" shall be equal to 1.1.

(wwww) "**OBCA**" means the *Business Corporations Act* (Ontario), as amended and as in effect on the date hereof.

(xxxx) "**OEB**" means the Ontario Energy Board and its successors and assigns.

(yyyy) "**OEB Act**" means the *Ontario Energy Board Act*, 1998, as amended and as in effect on the date hereof.

(zzzz) "**OEB Approval**" means the approval of the OEB to the Transactions contemplated herein pursuant to the *OEB Act* including the Amalgamation, the licensing of the Purchaser as a distributor, the transfer of the Business to HONI.

(aaaaa) "**OEB Percentage Rate Reduction**" means the percentage by which the arithmetic average of Reduced Rates is lower than the arithmetic average of Current Rates.

(bbbbb) "**OMERS Plan**" means the Ontario Municipal Employees Retirement System Primary Pension Plan.

(ccccc) "**Partial Rate Rider**" means the approved negative rate rider that results in an average reduction in Current Rates of less than one percent (1%) across all Rate Classes.

(ddddd) "**Party**" means a party to this Agreement, and "**Parties**" means all of them.

(eeeee) "**PCBs**" has the meaning attributed to that term in Section 3.1(n)(vii).

(fffff) "**Permitted Encumbrances**" means the following Encumbrances:

(i) servitudes, easements, restrictions, rights-of-way and other similar rights in real property or any interest therein, provided that those servitudes, easements, restrictions, rights-of-way and other similar rights are not of such a nature as to materially impair the use of the real property in the operation of the Business or materially detract from the value of the property subject thereto;

(ii) the reservations in any original grants from the Crown of any Real Property or interest therein and statutory exceptions to title that do not materially detract from the value of the Real Property concerned or materially impair its use in the operation of the Business;

(iii) the Encumbrances referenced or described in Schedule 1.1(fffff);

(iv) the Encumbrances relating to the Excluded Properties referenced or described in Schedule 2.2;

(v) in regards to the Easements only, any Encumbrance unless (i) it will materially impair the use of the real property that is the subject of the Easement in connection with the operation of the Business or (ii) can be reasonably determined that the relevant Encumbrance will cause a clear and present public safety concern; and

(vi) in regards to the Undocumented Real Estate Interests only, any Encumbrance unless (i) it will materially impair the use of the real property that is the subject of the Undocumented Real Estate Interest in connection with the operation of the Business or (ii) can be reasonably determined that the relevant Encumbrance will cause a clear and present public safety concern.

(ggggg) "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, Governmental Authority or entity however designated or constituted.

(hhhhh) "**Personal Property**" means all machinery, equipment, tools, supplies, furniture, motor vehicles, Inventories, handling equipment and accessories of all kinds, together with the benefit of all manufacturers' warranties which relate to the Property and relating to or used in the Business, excluding the Excluded Assets.

(iiiii) "**PILs**" means payment in lieu of corporate taxes required to be made under Part VI of the EA.

(jjjjj) "**Property**" means the property and assets used by the Vendor to conduct the Business, including without limitation, the Real Property, the Easements, the Undocumented Real Estate Interests, the Intellectual Property, Personal Property and Fixed Assets.

(kkkkk) "**Purchase Price**" has the meaning ascribed thereto in Section 2.5.

(lllll) "**Purchased Assets**" has the meaning ascribed thereto in Section 2.1.

(mmmmm) "**Purchaser**" means 1937680 Ontario Inc. a corporation incorporated under the laws of Ontario.

(nnnnn) "**Purchaser's Objection**" has the meaning ascribed thereto in Subsection 2.7(d).

(ooooo) "**PUSI**" means Peterborough Utilities Services Inc., its successors and permitted assigns.

(ppppp) "**Rate**" or "**Rates**" means the rate or rates the Corporation charges Customers for the delivery of electricity approved by the OEB from time to time.

(qqqqq) "**Rate Adjustment Difference**" means a difference equal to one percent (1%) minus the OEB Percentage Rate Reduction.

(rrrrr) "**Rate Adjustment Factor**" means a factor equal to the Rate Adjustment Difference divided by one percent (1%).

(sssss) "**Rate Classes**" means those classes of Rates specified in Schedule 6.5 of this Agreement.

(ttttt) "**Rate Freeze Period**" means the period commencing on the Closing Date and ending on the date which is five (5) years following the Closing Date.

(uuuuu) "**Rate Order**" means the order issued by the OEB in matter EB-2017-0266 approving the Corporation's Rates.

(vvvvv) "**Real Property**" has the meaning ascribed thereto in Subsection 3.1(i).

(wwwww) "**Reduced Rates**" means the reduced Rates that result from the application of a Negative Rate Rider or a Partial Rate Rider to the Current Rates or that is otherwise imposed by the OEB in connection with the OEB Approval.

(xxxxx) "**Regulatory Accounts Calculation**" has the meaning ascribed thereto in Subsection 2.7(a)(iii).

(yyyyy) "**Release**" has the meaning ascribed thereto in any Environmental Law and includes, without limitation, any presence, release, spill, leak, pumping, pouring, addition, emission, emptying, discharge, injection, escape, leaching, disposal, dispersal, migration, dumping, deposit, spraying, burial, abandonment, incineration, seepage or placement.

(zzzzz) "**Remedial Order**" means any complaint, direction, order or sanction issued, filed or imposed by any Governmental Authority pursuant to any Environmental Law and includes any order requiring remediation, removal or cleanup of any Hazardous Substance or requiring that any Release or any other activity be reduced, modified or eliminated.

(aaaaaa) "**Representative**" means, with respect to any Party, its Affiliates and, if applicable, its and their respective directors, officers, employees, agents and other representatives and advisors.

(bbbbbb) "**Required Approvals**" means the OEB Approval, Competition Act Approval and filing by the Corporation to the Ministry of Finance under subsection 4(1) of *O'Reg 124/99* of the *Electricity Act* of notice of proposed transfer of the Purchased Assets from the Vendor to the Purchaser.

(cccccc) "**Shareholder Declaration**" means the shareholder direction and unanimous shareholder declaration of the City establishing certain principles of governance relating to COPHI dated July 30, 2012.

(dddddd) "**Statutory Plans**" means benefit plans that the Vendor is required by domestic or foreign statutes to participate in or contribute to in respect of an employee, director or officer of the Vendor or any beneficiary or dependent thereof, including the Canada Pension Plan, and plans administered pursuant to applicable health, Tax, workplace safety insurance, workers' compensation and employment insurance legislation.

(eeeeee) "**Subsidiary**" has the meaning ascribed thereto in the OBCA.

(ffffff) "**Tax**" or "**Taxes**" means the PILs payable pursuant to Section 93 of the EA and all domestic and foreign federal, provincial, municipal, territorial or other taxes, imposts, rates, levies, assessments and government fees, charges or dues lawfully levied, assessed or imposed against the Corporation including, without limitation, all income, capital gains, sales, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers' compensation premiums, Canada Pension Plan premiums, Employment Insurance premiums, and special payments pursuant to Part VI of the EA together with all interest, fines and penalties with respect thereto.

(gggggg) "**Tax Act**" means the *Income Tax Act* (Canada) and any regulations thereunder.

(hhhhhh) "**Third Party**" has the meaning ascribed thereto in Section 11.3.

(iiiiii) "**Third Party Claim**" has the meaning ascribed thereto in Section 11.3.

(jjjjjj) "**Time of Closing**" means 12:01 a.m. on the Closing Date.

(kkkkkk) "**Transactions**" means the purchase and sale of the Purchased Assets and all other transactions between the City or any of its affiliates and Hydro One or any of its affiliates contemplated by this Agreement.

(llllll) "**Transfer Date**" means: (i) in respect of the Wave 1 Employees, the Closing Date, and (ii) in respect of the Wave 2 Employees, the "Go-Live Date" (as such term is defined in the Transition Services Agreement) or such earlier date after the Closing Date on which the Transition Services Agreement is terminated.

(mmmmmm) "**Transition Services Agreement**" means the services agreement between NewCo, the Purchaser and HONI dated as of the date hereof.

(nnnnnn) "**Undocumented Real Estate Interest**" means an interest with respect to using, traversing, enjoying or having access to, over in or under any real property used in connection with the Business which is not documented to provide the required rights of occupancy, possession, use, entry and exit, as applicable, as reasonably necessary to carry on the Business on such real property.

(oooooo) "**Vendor**" means collectively the Corporation and PUSI and, following the amalgamation, AmalCo.

(pppppp) "**Vendor's Counsel**" means Borden Ladner Gervais LLP.

(qqqqqq) "**Vested Sick Leave**" means an entitlement of any Employee to receive a cash payment upon such Employee ceasing employment on account of sick leave benefits, the liability for which as of the Closing Date is intended to be recorded on the Closing Date Financial Statements in accordance with the accounting policy described in note 3(g)(ii) of the Initial Financial Statements.

(rrrrrr) "**Water Street Easement"** has the meaning ascribed to that term in Section 5.9.

(ssssss) "**Wave 1 Employees**" has the meaning ascribed to that term in the Confidential Disclosure Schedule.

(tttttt) "**Wave 2 Employees**" has the meaning ascribed to that term in the Confidential Disclosure Schedule.

(uuuuuu) "**Working Capital**" means the working capital, which is the amount by which the net book value of the current assets, excluding cash, exceeds the net book value of the current liabilities. The current assets are the sum of accounts receivable, unbilled revenue, prepaid expenses, inventory and other current assets. The current liabilities are the sum of the accounts payable, accrued liabilities, current and non-current portion of customer deposits, and other current liabilities (excluding the current portion of long term debt).

(vvvvvv) "**Working Capital Calculation**" has the meaning ascribed thereto in Subsection 2.7(a)(i).

1.2 Construction. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation. In this Agreement:

(a) the division into Articles and Sections and the insertion of headings and the Table of Contents 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:

(d) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;

(e) "including" or "includes" means "including (or includes) but is not limited to" and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;

(f) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of";

(g) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts as of the date of this Agreement;

(h) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory instrument, regulation or section as of the date of this Agreement;

(i) words in the singular include the plural and vice versa and words in one gender include all genders;

(j) Undefined financial terms contained within the definitions of Working Capital, Regulatory Accounts and Net Fixed Assets will be interpreted in accordance with GAAP applied on a basis consistent with that used in the Initial Financial Statements.

1.4 Knowledge. In this Agreement, any reference to the knowledge of the Vendor, Corporation, PUSI or COPHI means to the best of the knowledge, information and belief of the Corporation and PUSI, the Corporation, PUSI or COPHI as the case may be, after making due inquiries regarding the relevant matter and of all relevant Representatives of the Vendor, City, NewCo and COPHI.

1.5 Computation of Time. In this Agreement, unless specified otherwise or the context otherwise requires:

(a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;

(b) all references to specific dates mean 11:59 p.m. on the dates;

(c) all references to specific times are references to Toronto time; and

(d) with respect to the calculation of any period of time, references to "from" mean "from and excluding" and references to "to" or "until" mean "to and including".

1.6 Performance on Business Days. Subject to any express provision to the contrary, if any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.7 Calculation of Interest. In calculating interest payable under this Agreement for any period of time, the first day of the period is included and the last day is excluded.

1.8 Currency and Payment. In this Agreement, unless specified otherwise:

(a) references to dollar amounts or "$" are to Canadian dollars; and

(b) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or any other method (other than cash payment) that provides immediately available funds;

1.9 Schedules and Exhibits. The following schedules are attached to and form part of this Agreement:

Schedule 1.1(zz)	Employee Liability Calculation
Schedule 1.1(ooo)	Fleet
Schedule 1.1(fffff)	Permitted Encumbrances
Schedule 1.1(bbbb)	Initial Financial Statements
Schedule 2.1(a)(iv)	Assigned Contracts
Schedule 2.1(a)(x)	Information System Assets
Schedule 2.2	Excluded Assets
Schedule 2.5	Purchase Price Allocation Illustration and Principles
Schedule 2.7(c)	Purchase Price Adjustment
Schedule 3.1(i)	Real Property and Easements
Schedule 3.1(l)	Labour Matters
Schedule 3.1(r)	Licences
Schedule 5.8	Additional Rights Easement Form
Schedule 6.3	Community Events
Schedule 6.5	Rate Classes

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale of Purchased Assets.

(a) Subject to the terms and conditions herein, and in reliance on the representations, warranties and conditions set forth in this Agreement, the Vendor agrees to sell, assign, transfer and deliver, or in the case of the Additional Rights, cause to be granted and delivered, to the Purchaser, and the Purchaser agrees to purchase from the Vendor on the Closing Date, all right, title and interest in and to all of the property and assets used in the Business (other than the Excluded Assets, the Vendor's interest any of the Additional Rights or Ancillary Agreements and any rights derived therefrom), whether real or personal, tangible or intangible, of every kind and description and wheresoever situated (collectively, the "**Purchased Assets**"), including the following:

(i) the Distribution Facilities;

(ii) the Personal Property;

(iii) all Books and Records and files (and for the avoidance of any doubt, excluding all records and files pertaining to Taxes), stored on any type of media including, without limitation, all customer data, employee information, inventory and Customer records and lists (containing addresses and phone numbers of such Customers), except that where the Corporation is required by law to retain a particular book, record or file, the Corporation shall deliver to the Purchaser a copy thereof;

(iv) the Assigned Contracts as more fully described in Schedule 2.1(a)(iv)**;**

(v) the Real Property, the Easements, the Additional Rights and the Undocumented Real Estate Interests;

(vi) the Fleet;

(vii) the Licences;

(viii) the Inventories;

(ix) the Intellectual Property;

(x) the Information System Assets;

(xi) the Accounts Receivable;

(xii) Net Regulatory Accounts as of Closing;

(xiii) all unbilled revenues;

(xiv) all goodwill, together with the exclusive right of the Purchaser to represent itself as carrying on the Business in succession to the Corporation and the exclusive right to carry on the Business as 'Peterborough Distribution Inc.' from Closing for a reasonable time following Licence Integration;

(xv) all Claims of the Corporation against third persons in the conduct of the Business or otherwise arising by reason of any facts or circumstances that occurred or existed prior to Closing, in each case whether or not an action or any other proceeding is commenced prior to Closing.

(b) The Vendor shall use commercially reasonable efforts to obtain consents of all requisite parties to the assignment of the Assigned Contracts. For greater certainty, no other contracts and engagements (whether or not there are any contracts in writing in respect thereto) other than the Assigned Contracts of the Business shall be transferred to or assumed by the Purchaser.

(c) In the event that the Purchased Assets include Personal Property used by PUSI (and required by NewCo) routinely in the conduct of any other business which shared use is not otherwise acknowledged in the Transactions, the Purchaser shall have priority of use for such Personal Property but shall make such Personal Property available for use by NewCo, to the extent practical, on reasonable commercial terms.

2.2 Excluded Assets. The following assets (collectively, the "**Excluded Assets**") are not part of the Transactions, are excluded from Purchased Assets and remain the property of the Vendor:

(a) all cash on hand or in banks or other depositories and similar cash items including all accrued interest thereon and any capital gains relating thereto;

(b) all Tax instalments paid by the Corporation and all rights to receive any refund of, and/or credit in respect of, Taxes paid by the Corporation;

(c) the Employee Plans;

(d) all personnel and employment records, originals of which the Vendor is required by Applicable Law to retain, in which case the Purchased Assets shall include copies thereof;

(e) all constating documents**,** minute books, shareholder records and corporate seals of the Corporation;

(f) all indebtedness owing to the Corporation, other than ordinary course accounts receivable from Customers, by any Affiliate or by any present or former shareholder, director or officer of the Corporation or of the Affiliate;

(g) the Excluded Properties listed in Schedule 2.2; and

(h) the assets listed in Schedule 2.2.

2.3 Funding of Outstanding Amounts and Assumption of Liabilities. Subject to the terms and conditions of this Agreement, the Purchaser shall, with effect as of Closing, and shall thereafter:

(a) promptly fund in cash to the Vendor, by way of payment to the "Service Provider's Bank Account" as required pursuant to the Transition Services Agreement:

(i) the amount appearing in the line item for "accounts payable and accrued liabilities" recorded on the Closing Date Financial Statements, including, for greater certainty, Employee Liabilities included in such line item, but excluding items (a) and (b) appearing in the definition of Excluded Liabilities in Section 2.4; and

(ii) to the extent not covered in Section 2.3(b), all current amounts owed to Customers as refunds in respect of Customer deposits reflected on the Closing Date Financial Statements,

(collectively, the "**Funding of Outstanding Amounts**").

(b) assume, perform and fulfill, other than in respect of Excluded Liabilities, all of the Vendor's obligations and liabilities in respect to Customer deposits, all Assigned Contracts, Licences, Intellectual Property, the Real Property, Easements, the Additional Rights and the Undocumented Real Estate Interests (the "**Assumed Liabilities**").

Additionally, the Parties agree that the disbursements of the Funding of Outstanding Amounts will be governed by the terms of the Transition Services Agreement. The Vendor covenants that immediately prior to the amalgamation of the Corporation and PUSI, the only liabilities of PUSI recorded on its balance sheet will be: (i) all employee liabilities (calculated in the same manner as Employee Liabilities) and all employee liabilities as required by Applicable Law in respect of Wave 2 Employees; and (ii) long-term liabilities due to an Affiliate. For greater certainty, the Parties further agree that short-term and long-term liabilities owing by AmalCo to an Affiliate are expressly excluded from Assumed Liabilities. For greater certainty, the Parties agree that the Funding of Outstanding Amounts will include certain payables to the City that are incurred in the ordinary course of the Business, such as costs for repairing municipal property resulting from activities of the Business.

2.4 Excluded Liabilities. The Purchaser shall not assume or have any obligation to fund discharge, perform or fulfill any obligation or liability of the Corporation or PUSI, or any of their Affiliates, of any kind whatsoever relating to the following items, which items shall remain the obligation and responsibility of the Corporation or PUSI, or any of their Affiliates, as the case may be, (collectively, the "**Excluded Liabilities**"):

(a) obligations for corporate income and property taxes payable, and taxes payable under the EA, collectible or remittable by the Vendor (and for greater certainty, taxes payable under the EA includes business transfer tax together with all interest, fines and penalties with respect thereto);

(b) obligations owing to a lender or creditor of the Vendor, including any bank overdrafts or bank indebtedness and any indebtedness or liabilities owing under any promissory note, or Contract for the borrowing of money;

(c) obligations owing under all Employee Plans; and

(d) obligations relating to an Excluded Asset.

2.5 Purchase Price. The purchase price payable by the Purchaser to the Vendor for the Purchased Assets (the "**Purchase Price**") shall, subject to any adjustment in accordance with Section 2.7, be the amount of $105,000,000.00 plus, without duplication, the Funding of Outstanding Amounts and the assumption by the Purchaser of the Assumed Liabilities as contemplated by Section 2.3. The Purchase Price shall be allocated for tax purposes among the Purchased Assets on the basis of the net book value as of Closing of the Purchased Assets listed in Section 2.1 excluding the Net Regulatory Accounts, according to the principles set out in and, as illustrated in, Schedule 2.5 and shall report the purchase and sale of the Purchased Assets for all tax purposes in accordance with that allocation. If any Governmental Authority does not agree with that allocation, the Purchaser and the Vendor shall use their best efforts and good faith (which is not to be construed as requiring any Party to commence or participate in any litigation or administrative proceeding challenging such Governmental Authority determination) to agree on a different allocation acceptable to that Governmental Authority, and the Purchaser and Vendor shall amend the original allocation and relevant tax returns filed under the Tax Act and EA accordingly.

2.6 Payment of Purchase Price. The Purchase Price shall be payable as follows:

(a) concurrently with the execution and delivery of this Agreement, the sum of four million dollars ($4,000,000) delivered to the City, in escrow, by wire transfer, which amount shall hereinafter be referred to as the "**Deposit**", and such Deposit to be held in escrow in an interest bearing account and released in accordance with the terms and conditions of this Agreement; and

(b) $101,000,000.00 on Closing by wire transfer of immediately available funds to the Corporation;

(c) if applicable, the amounts payable pursuant to Sections 2.7(b) and 2.8; and

(d) as to the Funding of Outstanding Amounts and assumption of Assumed Liabilities, by the funding and/or assumption thereof, respectively.

The Purchaser shall pay (i) the amounts in subparagraph (b) above on Closing and (ii) the amounts in subparagraph (c) above within the timelines contemplated in Sections 2.7 and 2.8, by wire transfer of immediately available funds to the Corporation or to the City as directed by the City.

2.7 Adjustment to Purchase Price.

(a) Subject to Section 2.6, within ninety (90) days following the Closing Date, the Vendor shall cause the preparation and delivery to the Parties, of the Closing Date

Financial Statements and Closing Date Transfer Values, Working Capital Calculation, NFA Calculation and Regulatory Accounts Calculation, all of which shall be audited by the Auditors together with the Auditors' working papers (the "**Deliveries**"). The Purchase Price contemplated in Section 2.5 shall be increased or decreased on a dollar for dollar basis as set out below based on the following calculations:

(i) for the difference between (A) the Closing Date Working Capital and (B) the aggregate of "x" minus "y" where "x" is the Initial Working Capital and "y" is the Employee Liabilities recorded on the Closing Date Financial Statements, subject to a maximum of $450,000 (such amount resulting from (A) minus (B), the "**Working Capital Calculation**"); and

(ii) for an amount equal to the amount obtained when the NFA Index is multiplied by the difference between the Closing Date NFA and the Initial NFA (the "**NFA Calculation**"); and

(iii) for the difference between the Closing Date Regulatory Accounts and the Initial Regulatory Accounts (the "**Regulatory Accounts Calculation**"); and

(b) If the total of the adjustments to the Purchase Price calculated in accordance with Section 2.7(a) is greater than zero, the Purchaser shall pay such amount to the Vendor.

(c) If the total of the adjustments to the Purchase Price calculated in accordance with Section 2.7(a) is less than zero, the Vendor shall pay an amount equal to the Absolute Value of such amount to the Purchaser.

An illustration of the purchase price adjustments set out in Subsections (a), (b) and (c) of this Section 2.7 are set out in Schedule 2.7(c) hereto.

(d) The Purchaser shall have a period of thirty (30) Business Days from receipt of the Deliveries made pursuant to Subsection 2.7(a) within which to notify the Vendor in writing that it disputes any amounts contained therein (the "**Purchaser's Objection**"), failing which the Purchaser shall be deemed to have accepted such amounts. The Purchaser's Objection shall set forth a specific description of the basis of the Purchaser's Objection and the adjustments to the items which the Purchaser believes should be made. Any items not specifically disputed during such thirty (30) Business Day period shall be deemed to have been accepted by the Purchaser.

(e) Subject to Section 2.7(f), payment of the adjustment to the Purchase Price pursuant to Section 2.7 shall be made by the applicable Party within thirty (30) Business Days following delivery of the Deliveries.

(f) If the Vendor and the Purchaser cannot agree on the adjustment of the Purchase Price pursuant to Subsections (a), (b) and (c) of this Section 2.7 within the time limit for payment of the adjustment to the Purchase Price pursuant to Subsection 2.7(e), the Vendor and the Purchaser will submit any unresolved matter within a further five (5) day period, to an independent, nationally recognized accounting firm selected by the

Vendor and the Purchaser (the "**Independent Auditor**") for resolution or, failing agreement, as appointed by the Ontario Superior Court of Justice. The Independent Auditor will be given access to all materials and information reasonably requested by it for such purpose. The rules and procedures to be followed in the arbitration proceedings will be determined by the Independent Auditor in its discretion. The Independent Auditor will make its determination as soon as practicable and, in any case, within thirty (30) days of the matter being submitted to it. The Independent Auditor determination of all such matters will be final and binding on both Parties and will not be subject to appeal by any Party. The fees and expenses of the Independent Auditor will be borne equally between the Vendor and the Purchaser. The Closing Date Transfer Values Working Capital Calculation, Regulatory Accounts Calculation and the NFA Calculation will be modified to the extent required to give effect to the Independent Auditor's determination and will be deemed to have been approved as of the date of such determination.

2.8 Adjustment for Wave 2 Employee Liabilities. The Vendor shall, within ninety (90) days following the Transfer Date, cause the preparation and delivery to the Parties of the Employee Liability Calculation, audited by the Auditors, together with the Auditors' working papers. If such Employee Liability Calculation results in an amount greater than twenty five thousand ($25,000) dollars, then the Vendor agrees to pay the Purchaser an amount equivalent to the Employee Liability Calculation. Such payment shall be made within thirty (30) Business Days following delivery of the audited Employee Liability Calculation. In the event the Purchaser disputes the Employee Liability Calculation and the Parties are unable to resolve such dispute within a reasonable time, the Vendor and the Purchaser will submit the matter to the Independent Auditor to be adjudicated and resolved on the same basis as provided in Section 2.7(f). If the Employee Liability Calculation results in an amount less than or equal to twenty five thousand ($25,000) dollars, then no such payment will be made by the Vendor to the Purchaser.

2.9 Access. Following the Closing, the Purchaser shall provide the Corporation and the Auditor with timely access to all books, records, documents, materials, and other information and Representatives of the Corporation reasonably requested by the Corporation for purposes of preparation of the Deliveries.

2.10 Community Benefit Payment.

(a) In the event that the OEB does not approve any negative rate rider (including the Negative Rate Rider or the Partial Rate Rider) and does not otherwise impose Reduced Rates, the Purchaser agrees to make a lump sum donation in an amount equal to the Five Year Fixed Payment Amount to a charity selected by the City within five (5) Business Days from the Closing Date.

(b) In the event that the OEB approves a Partial Rate Rider or the OEB Percentage Rate Reduction is otherwise less than 1%, the Purchaser agrees to make a lump sum donation in an amount equal to the Five Year Fixed Payment Amount times the Rate Adjustment Factor to a charity selected by the City within five (5) Business Days from the Closing Date.

2.11 Deposit. The Deposit shall be held by the City in escrow and shall be invested in an interest bearing account with interest accruing to the Purchaser except as set forth below. On Closing, the Deposit shall be applied on account of the Purchase Price and any and all interest accrued thereon shall be paid to the Purchaser forthwith following Closing. Notwithstanding the foregoing, if the conditions set forth in Section 8.1 have not been satisfied or complied with and the Purchaser does not waive compliance therewith on such terms as may be agreed in writing, the Deposit, together with any interest earned thereon shall be refunded to the Purchaser in accordance with Section 8.1. If, however, the Transactions are not completed on the Closing Date and the conditions set forth in Section 8.1 have been satisfied, complied with or waived, the Deposit, together with any interest earned thereon, may be retained by the Corporation to the extent permitted under Section 8.2.

2.12 HST. The Purchaser and the Vendor acknowledge and agree that the Purchase Price does not include any tax imposed under the ETA. The Purchaser and the Vendor acknowledge and agree that the Purchaser is acquiring ownership, possession and use of substantially all of the assets reasonably necessary for the Purchaser to carry on the Business and that the sale and purchase of the Purchased Assets shall be completed on the basis that no HST imposed pursuant to the ETA will be payable by the Purchaser in respect of the sale and purchase of the Purchased Assets. The Purchaser and the Corporation shall jointly elect under subsection 167(1) of the ETA that no tax shall be payable. The Purchaser shall prepare the form(s) for such election for review and comment (if any) by the Vendor in advance of the Closing. The Purchaser agrees to file such election form(s) within the time limits specified under the ETA (and as appropriate the Parties shall subsequently amend and re-file the forms to reflect settlement of the adjustment to the Purchase Price as provided in Section 2.7) and to provide confirmation of such filing to the Vendor on a timely basis. The Vendor will do and cause to be done such things as are reasonably requested by the Purchaser to enable the Purchaser to comply with such obligation in a timely manner. In the event that any HST is imposed on the Vendor pursuant to the ETA in respect of the purchase of the Purchased Assets by the Purchaser, the Purchaser agrees to pay to the Vendor, immediately upon demand, such amounts and the Vendor agrees to remit on a timely basis such payment to the Canada Revenue Agency, and in such case, the Vendor agrees to deliver to the Purchaser written evidence of such remittance. The Purchaser agrees to be responsible and pay for any applicable interest or penalties payable as a result of any late payment of such HST that is not the result of any unreasonable delay of the Vendor in facilitating the joint election contemplated in this Section 2.12.

2.13 Real Property Fees and Other Costs. The Purchaser shall self-assess directly to the Canada Revenue Agency all applicable HST in respect of the sale of the Real Property pursuant to subsections 221(2) and 228(4) of the ETA. The Purchaser shall be responsible for and pay any and all land transfer taxes imposed pursuant to the *Land Transfer Tax Act*, RSO 1990, c. L.6 payable on the transfer of the Real Property, the Easements, the Ancillary Agreements and the Additional Rights, all registration fees payable in respect of registration by it of any documents on Closing, but excluding any income taxes payable, if any, by the Vendor upon or in connection with the Transactions.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Vendor and COPHI**.** The Vendor and COPHI represent and warrant to the Purchaser as follows and acknowledge that, except as otherwise expressly provided herein, the Purchaser is relying on such representations and warranties in connection with the Transactions contemplated herein.

(a) **Organization**. Each of the Corporation and PUSI is duly incorporated and validly subsisting under the laws of the Province of Ontario and has the corporate power, capacity and authority to own or lease or dispose of its property and assets and to carry on the business presently carried on by it under the laws of the Province of Ontario. No proceedings have been instituted or are pending for the dissolution, winding up or liquidation of the Vendor.

(b) **Corporate Power of the Vendor and Due Authorization**. Each of the Corporation and PUSI has all requisite and statutory power, authority and capacity to enter into, and to perform its obligations under this Agreement and, upon amalgamation, AmalCo, as Vendor, will have all requisite power, authority and capacity to transfer legal and beneficial title and ownership of the Purchased Assets to the Purchaser free and clear of all Encumbrances other than Permitted Encumbrances. The Corporation, PUSI, COPHI and the City have each duly taken, or caused to be taken, and upon amalgamation AmalCo will have taken, all action required to be taken by such Party to authorize the execution and delivery of this Agreement and any other agreement or document to be delivered pursuant hereto by the Vendor in the performance of its obligations hereunder. Each of the Vendor, COPHI and the City shall deliver on Closing, certified copies of the relevant resolutions, or by-laws of Council so authorizing such actions.

(c) **Binding Agreement**. This Agreement has been duly executed by the Vendor and will, upon delivery, constitute valid and binding obligations of the Vendor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other Applicable 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.

(d) **Options**. No Person (other than the Purchaser under this Agreement) has the benefit of any Contract or any right or privilege (whether by Applicable Law, pre-emptive or contractual) binding upon or which may at any time in the future become binding upon the Vendor or COPHI, to acquire or obtain in any other way an interest in any of the Purchased Assets.

(e) **Ownership of Purchased Assets (Excluding the Real Property, Easements, Undocumented Real Estate Interests, the subject matter of the Ancillary Agreements and Additional Rights)**. The Vendor is the absolute beneficial and legal owner of the Purchased Assets (excluding the Real Property, Easements, Undocumented Real Estate Interests, the subject matter of the Ancillary Agreements and Additional Rights), with good and marketable title thereto, free and clear of all

Encumbrances (other than Permitted Encumbrances and the rights of the Purchaser hereunder) and has the exclusive right to dispose of the Purchased Assets (excluding the Real Property, Easements, Undocumented Real Estate Interests, the subject matter of the Ancillary Agreements and Additional Rights) as herein provided.

(f) **No Violations**. Neither the execution nor delivery of this Agreement nor the completion of the Transactions herein contemplated will result in the violation of:

(i) any provision of the bylaws of the Vendor or COPHI;

(ii) any Contract to which the Vendor, COPHI or the City is a party or by which the Vendor, COPHI or the City or any of their respective Properties is bound, which would have a material adverse effect on the Vendor's, COPHI's or the City's ability to perform its obligations under this Agreement; or

(iii) subject to the Required Approvals, to the Vendor's and COPHI's knowledge, any Applicable Law or requirement of a Governmental Authority having jurisdiction over each of the Vendor, COPHI or the City, which would have a material adverse effect on the Vendor's or COPHI's ability to perform its obligations under this Agreement.

(g) **Consents and Approvals**. Other than the Required Approvals, there is no requirement for the Vendor, COPHI or the City to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Transaction.

(h) **Compliance with Applicable Law**.

(i) Except as disclosed in the Confidential Disclosure Schedule, the Corporation has complied in all material respects with all Applicable Laws relating to its Business where the failure to comply would have a Material Adverse Effect. The Corporation is not in violation or default under, and to the Vendor's or COPHI's knowledge, no event has occurred which, with the lapse of time or the giving of notice or both, would result in the violation of or default under, the terms of any judgment, decree, order, injunction or writ of any court or other Governmental Authority with respect to the Business, which would have a Material Adverse Effect.

(ii) To the knowledge of the Corporation, PUSI and COPHI, neither the Corporation, PUSI, COPHI nor the City has received any notification of, nor are there any outstanding or incomplete work orders (of any Governmental Authority) in respect of any Fixed Assets or of any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by laws) with Applicable Law, including without limitation, building and zoning by laws and regulation. Furthermore, to the knowledge of the Corporation, PUSI and COPHI, no by law which would reasonably be expected to have a Material Adverse Effect is currently being contemplated by the City in respect of the Fixed Assets on the Real Property or the Easements.

(i) **Real Property and Easements**.

(i) Schedule 3.1(i) sets forth a list of lands owned in fee simple (the "**Real Property**") and the Easements forming part of the Purchased Assets.

(ii) The Vendor is the absolute beneficial and legal owner of the Real Property, with good and marketable title thereto, free and clear of all Encumbrances (other than Permitted Encumbrances and the rights of the Purchaser hereunder and except for any charge or mortgage in favour of the City or COPHI as disclosed by registered title to the Real Property as of the date of this Agreement and which charges or mortgages shall be discharged as of the Closing Date) and has the right to dispose of the Real Property as herein provided.

(iii) The Vendor is, or on Closing shall be, the legal and beneficial owner of the Easements, free and clear of all Encumbrances (other than Permitted Encumbrances and the rights of the Purchaser hereunder) and has, or shall have on Closing, the right to dispose of the Easements as herein provided. For clarification purposes, notwithstanding the foregoing, the Purchaser acknowledges that some of the Easements listed in Schedule 3.1(i) are shared with Peterborough Utilities Commission (relating to water, watermain or sewer rights) or Bell Canada, and that the easements rights in such shared easements are shared interests and are subject to the shared interests of the other party therein, which interests are coextensive with and not in priority to the rights of the Vendor.

(iv) The Easements are valid and enforceable in accordance with their terms as applicable.

(v) To the Vendor's knowledge, the Corporation does not have any leased real property, and the Corporation does not benefit from any real property leases in order to carry on the Business.

(vi) To the Vendor's knowledge, the Corporation does not use or occupy any real property in connection with the undertaking of the Business except:

(A) the Easements;

(B) the lands are the subject of Undocumented Real Estate Interests;

(C) the Real Property and the Excluded Properties;

(D) those that will be the subject of the Additional Rights; and

(E) such property relating to the rights to be derived from the Ancillary Agreement or pursuant to the Water Street Easement.

(vii) The Vendor has not received any pending or threatened notices of violation or alleged violation of any Applicable Laws against or affecting the Real Property, the Easements or the lands that are the subject of Undocumented Real Estate Interests.

(viii) The Vendor has not received any pending or threatened notices of claim from any Person that are adverse to any interest of the Vendor in relation to the use or occupancy of any real property in relation to the Business.

(ix) The Real Property, the Easements, the Additional Rights to be granted on Closing, the rights to be derived from the Ancillary Agreements, the Water Street Easement to be entered into on Closing, will, on Closing, provide the required rights of occupancy, possession, use, entry and exit, as applicable, and each according to their respective terms, as are reasonably necessary to carry on the Business on such real property.

(x) No Person has any right to purchase any of the Real Property and, to the Vendor's knowledge, no Person other than the Corporation is using or has any right to use (save and except for any rights under Permitted Encumbrances), is in possession or occupancy, of any part of the Real Property.

(xi) To the Vendor's knowledge, there exists no option, right of first refusal, or other contractual rights with respect to any of the Real Property, except in favour of COPHI and the City, evidence of the release of which rights shall be provided on Closing.

(xii) Neither the Corporation, PUSI, COPHI nor the City, has entered into any contract to sell, transfer, encumber (subject to Permitted Encumbrances), or otherwise dispose of or impair (subject to Permitted Encumbrances) the right, title and interest of the Corporation in and to Real Property, except for any charge or mortgage in favour of the City or COPHI as disclosed by registered title to the Real Property as of the date of this Agreement, which charge or mortgage will be discharged on Closing.

(xiii) Neither the Corporation, PUSI, COPHI nor the City, has entered into any contract to sell, transfer, encumber (subject to Permitted Encumbrances), or otherwise dispose of or impair (subject to Permitted Encumbrances) the right, title and interest of the Corporation in and to any of the Easements or the Undocumented Real Estate Interests.

(xiv) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets on the Real Property, the Easements and the Undocumented Real Estate Interests have been fully paid and no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or other similar legislation for such work.

(xv) To the Vendor's knowledge, subject to the Permitted Encumbrances, and subject to any charge/mortgage in favour of the City or COPHI as disclosed by registered title as of the date of this Agreement (which charge/mortgage will be discharged on Closing), and, excluding certain rights that the Vendor does not currently enjoy which are the subject of the Ancillary Agreements and the Additional Rights, the rights derived from the Water Street Easement, and the Undocumented Real Estate Interests, there are no matters affecting the right, title and interest of the Vendor, as applicable, in and to the real property used in the Business which would have a material and adverse effect on the ability of the Vendor to carry on the Business on such real property.

(xvi) Neither the Corporation, PUSI, COPHI nor the City has made an application for the rezoning of any Real Property and to the knowledge of the Corporation, PUSI, COPHI and the City, there is no proposed or pending change to any zoning affecting the Real Property.

(xvii) No part of the Real Property is subject to any building or use restriction which would prevent or limit its current use in the Business.

(xviii) To the Corporation's or PUSI's knowledge, no Fixed Assets encroach on real property not forming part of the Real Property, the Easements, the Undocumented Real Estate Interests, the properties which will be the subject to the Additional Rights, or such property relating to the rights to be derived from the Ancillary Agreements or pursuant to the Water Street Easement.

(j) **Intellectual Property**. The Vendor has valid rights to use all trademarks, trade names, service marks, brand names, patents, copyrights, industrial designs and other industrial property rights ("**Intellectual Property**") used in the Business in the manner used in the Business.

(k) **Contracts and Commitments**. The Vendor covenants that it has supplied to the Purchaser through the Data Room, by posting therein prior to December 31, 2015, or disclosed to the Purchaser by secure data link via email from the Vendor's counsel dated May 19, 2017, as of the Effective Date, true and complete copies of each of the Assigned Contracts, and warrants that (i) the Assigned Contracts which are not expressly listed in Schedule 2.1(a)(iv) were entered into in the ordinary of course of the Business; and (ii) the Assigned Contracts are presently and will be on Closing, in good standing and unamended, unless terminated by the Corporation as directed by the Purchaser.

(l) **Labour Matters**.

(i) Except as set forth in the Confidential Disclosure Schedule, the Vendor is not a party to nor is it bound by or subject to any agreement or arrangement with any labour union or employee association and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement.

(ii) There is no strike or lockout occurring or affecting, or to the Vendor's or COPHI's knowledge threatened against the Vendor.

(iii) All assessments under the *Workplace Safety and Insurance Act* (Ontario) in relation to the Business of the Corporation have been paid or accrued and neither the Corporation nor PUSI is subject to any special or penalty assessment under such legislation which has not been paid.

(iv) No Employee is entitled to any agreement or arrangement relating to matters set out in the Employee Data Sheet, salary, wages, deferred compensation, bonus, incentive or other compensation, commission, fee, profit sharing, severance, termination pay, supplementary employment insurance, vacation entitlements, insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care, arrangements for personal use of any corporate assets based on past practice and other similar benefits, plans or arrangements, including as may be included in any Collective Agreement, compensation, benefit or pension or retirement plan other than Statutory Plans ("**Employee Plans**"), except as disclosed in the Data Room.

(v) All employee data necessary to administer the Vendor's participation in the Employee Plans is in the possession of the Vendor and will be transferred to the Purchaser on Closing, and is complete, correct and in a form which is sufficient for the proper administration of the Vendor's participation in the OMERS Plan and the other Employee Plans in accordance with the terms thereof and all Applicable Laws.

(vi) Subject to the provisions of Section 2.3, all obligations of the Vendor due prior to Closing under the Employee Plans, the OMERS Plans and the Statutory Plans (whether pursuant to the terms thereof or any Applicable Law) have been or will be satisfied in all material respects.

(vii) The OMERS Primary Pension Plan is the only pension or retirement plan or arrangement in which Employees participate in connection with their employment with the Vendor and/or to which the Corporation or PUSI contributes as a participating employer.

(m) **Insurance.** The Data Room sets forth all insurance policies of the Business maintained by or for the benefit of the Vendor on its Property or personnel, including former personnel (specifying the insurer, the amount of the coverage, the type of insurance, the policy number, the premium allocated to the Vendor and the basis of such allocation, and any pending claims thereunder related to the Business).

(n) **Environmental**. To the knowledge of PUSI, the Corporation and COPHI and except as disclosed in the Confidential Disclosure Schedule:

(i) The Business conducted on or at Real Property while occupied or used by the Corporation, has been and is now in compliance in all material respects with all applicable Environmental Laws. Any Release by PUSI or the Corporation, of any Hazardous Substance into the Environment complied and complies in all material respects with all applicable Environmental Laws, and not in a manner that could reasonably be expected to have a material adverse effect with respect to the Real Property;

(ii) The Corporation has obtained all requisite Environmental Approvals, which Environmental Approvals are valid and in full force and effect, have been and are being complied with in all material respects and there have been and are no proceedings commenced or threatened to revoke or amend any Environmental Approvals in a manner that could reasonably be expected to have a material adverse effect with respect to the applicable real property. The Confidential Disclosure Schedule lists all of the Environmental Approvals held by the Corporation;

(iii) The Corporation has not been and is not now the subject of any Remedial Order nor, is any investigation or evaluation threatened or commenced as to whether any such Remedial Order is necessary;

(iv) The Corporation has never been prosecuted for or convicted of any offence under Environmental Laws, nor has the Corporation been found liable in any proceeding to pay any damages, fine or judgment to any Person as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of any breach of any Environmental Laws.

(v) No notice has been received by PUSI, the Corporation or COPHI, or any of its or their Affiliates, of any investigation or evaluation by any Governmental Authority or of any Claims, pending or threatened, and there are no investigations or evaluations threatened or commenced as to whether any offence under any Environmental Laws by any of the foregoing has occurred. There are no Claims that have been threatened or commenced against the Corporation as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of the breach of any Environmental Laws.

(vi) No part of the Real Property or other lands occupied in connection with the Business has ever been used as a landfill or for the disposal of waste within the past two (2) years.

(vii) No asbestos, asbestos containing materials, polychlorinated biphenyls ("**PCBs**") or PCB wastes are used, stored or otherwise present in or on the Real Property except as disclosed in the Confidential Disclosure Schedule and except for PCBs contained in oil-containing equipment in or on the Real Property (switchgear, meters and transformers) which are in service and which form an integral part of, and are necessary for the operation of the Business. Concentrations of PCBs in the Corporation's oil-containing equipment as at the Closing Date do not exceed the MOE's current limit of 50 parts per million. All handling, transportation and storage of PCB's has been in compliance with MOE requirements and the Corporation has disclosed to the Purchaser in the Confidential Disclosure Schedule all inspection reports received from the MOE in connection with the handling, transportation and storage of PCBs by the Corporation, as applicable.

(viii) To the knowledge of the Vendor, there are no Hazardous Substances in, on or under the real property owned or occupied by the Vendor, used in the Business (but excluding those real properties which are the subject of the Additional Rights) or concerning the condition of which the Vendor is otherwise responsible, that could reasonably be expected to have a material adverse effect on the ability of the Vendor to carry on the Business on the subject real property and there are no underground storage tanks on the Real Property and any underground storage tanks formerly on the Real Property have been removed and any affected soil, surface water or ground water has been remediated in compliance with all Applicable Law including, without limitation, Environmental Law.

(o) **Taxes.**

(i) The Vendor is not a non-resident of Canada for purposes of the Tax Act*;*

(ii) There are no outstanding liabilities for Taxes payable, collectible or remittable by the Vendor, whether assessed or not, which may result in an Encumbrance on or other claim against or seizure of all or any part of the Purchased Assets or which would otherwise adversely affect the Business or would result in the Purchaser becoming liable or responsible for those liabilities;

(iii) Each of the Corporation and PUSI are (and upon Closing AmalCo will be) duly registered under Subdivision (d) of Division V of Part IX of the ETA and the Corporation's registration number is 86934 6585 RT0001 and PUSI's registration number is 88465 1126 RT0001; and

(iv) The Vendor has not made any election or designation for purposes of any Applicable Law relating to Taxes that would affect the Business or any of the Purchased Assets after the Closing.

(p) **Fixed Assets**. All of the Fixed Assets transferred are in good working order, condition and repair subject to reasonable wear and tear, have been properly and regularly maintained and are in material compliance with all Applicable Laws.

(q) **Financial Statements**. The Initial Financial Statements were prepared in accordance with GAAP and the Closing Date Transfer Values, NFA Calculation, Regulatory Accounts Calculation and Working Capital Calculation will be prepared in accordance with GAAP applied on a basis consistent with that of the Initial Financial Statements and the Initial Financial Statements present, or will present fairly in the case of the Initial Financial Statements, all of the assets, liabilities and financial position of the Corporation as at December 31, 2015, and the sales, earnings, results of operation and changes in financial position of the Corporation for the 12 month period then ended.

(r) **Licences**. Schedule 3.1(r) sets out a complete list of all licences, permits, approvals, consents, certificates, registrations and authorizations ("**Licences**") held by or granted to the Vendor, and there are no other licences, permits, approvals, consents, certificates, registrations or authorizations necessary to carry on the Business. Each Licence is valid, subsisting and in good standing and the Vendor is not in default or in breach of any Licence and, to the Vendor's and COPHI's knowledge, no proceeding is threatened or pending to revoke or limit any Licence.

(s) **By Laws**. Other than by laws of general application, no by law of the City exists which materially adversely affects the Corporation or the Business. Other than by laws of general application, no by law which would materially adversely affect the Corporation or the Business is currently being contemplated by the City or, to the City's knowledge, has been proposed by any Person.

(t) **Limitation**. The Vendor and COPHI make no representation or warranty to the Purchaser except as specifically set forth in this Agreement and this Agreement contains all representations and warranties of the Vendor and COPHI relating to the Purchased Assets and the Transaction.

(u) **Effect of Disclosure**. All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.1 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Vendor shall have no liability to the Purchaser with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.1 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

(v) **Information System Assets**. The combination of the information system assets listed in Schedule 2.1(a)(x) and the Excluded Information System Assets are all of the information system assets used in the Business.

3.2 Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on such representations and warranties in connection with the Transactions contemplated herein:

(a) **Organization**. The Purchaser is a corporation duly incorporated and validly subsisting corporation under the laws of Ontario and has the corporate power to own or lease its property and assets and to carry on the business presently carried on by it.

(b) **Corporate Power of the Purchaser and Due Authorization**. The Purchaser has all requisite corporate power, authority and capacity to enter into, and to perform its obligations under this Agreement. The Purchaser and Hydro One have duly taken, or have caused to be taken, all corporate action required to be taken by the Purchaser and Hydro One to authorize the execution and delivery of this Agreement by the Purchaser and Hydro One and the performance of their respective obligations hereunder and the Purchaser has the financial ability to complete the Purchase and pay the Purchase Price.

(c) **Binding Agreement**. This Agreement and each of the Transactions Documents has been duly executed by the Purchaser and will, upon delivery, constitute a valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, except as 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.

(d) **No Violations**. Neither the execution nor delivery of this Agreement nor the completion of the Transactions herein contemplated will result in the violation of:

(i) any provision of the constating documents, by laws or any unanimous shareholder agreement of the Purchaser;

(ii) any Contract to which the Purchaser is a party or by which the Purchaser or any of its property or assets is bound, which would have a material adverse effect on the Purchaser's ability to perform its obligations under this Agreement; or

(iii) subject to obtaining the regulatory approvals set forth in Article 7, any terms or provisions of any Applicable Law of any authority having jurisdiction over the Purchaser which would have a materially adverse effect on the Purchaser's ability to perform its obligations under this Agreement.

(e) **Investment Canada Act**. The Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada). The Purchaser is not a "non-resident" for purposes of the Tax Act.

(f) **Financial Capability**. The Purchaser has sufficient funds in place to pay the Purchase Price on the Closing Date and consummate the Transactions on the terms and conditions contained in this Agreement.

(g) **Consents and Approvals**. Except for the Required Approvals, there is no requirement for the Purchaser to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any governmental or regulatory authority as a condition to the lawful consummation of the Transactions contemplated by this Agreement.

(h) **Litigation**. There is no legal proceeding in progress, pending, threatened against or affecting the Purchaser or Hydro One, to the best of the knowledge and belief of the Purchaser, there are no grounds on which any such legal proceeding might be commenced with any reasonable likelihood of success and no judgment, decree, injunction, ruling, order or award of any tribunal outstanding against or affecting the

Purchaser or Hydro One which, in any such case, might adversely affect the ability of the Purchaser or Hydro One to enter into this Agreement or to perform its obligations hereunder.

(i) **Limitation**. The Purchaser makes no representation or warranty to the Vendor except as specifically set forth in this Agreement and this Agreement contains all representations and warranties of the Purchaser relating to the Transactions contemplated hereby.

(j) **Effect of Disclosure**. All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.2 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Purchaser shall not have any liability to the Vendor with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.2 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

(k) **HST**. The Purchaser is duly registered under Subdivision (d) of Division V of Part IX of the ETA and its registration number is 819304924 RT0001.

ARTICLE 4
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

4.1 Survival of Representation and Warranties.

(a) Subject to Sections 11.10 and 11.11, the representations and warranties of the Vendor set out in this Agreement shall survive Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Purchaser with respect thereto, shall continue in full force and effect for the benefit of the Purchaser provided, however, that, except for any Claim arising from a breach of the representations and warranties set out in Section 3.1(i) (which shall survive until such time as contemplated in Section 11.10(a)) and except for any Claim arising from a Lack of Rights (as defined in Section 11.10(b)) (which shall survive until such time as contemplated in Section 11.10), no Claim in respect thereof shall be valid unless it is made within a period of one (1) year from the Closing Date and, upon the expiry of such limitation period, the Vendor shall have no further liability to the Purchaser with respect to the representations and warranties referred to in such Section, except in respect of Claims which have been made by the Purchaser to the Vendor in writing prior to the expiration of such period

(b) The representations and warranties of the Purchaser set out in this Agreement shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Vendor with respect thereto, shall continue in full force and effect for the benefit of the Vendor provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of one (1) year from the Closing Date and, upon the expiry of such limitation period, the Purchaser shall have no further liability to the Vendor with respect to the representations and warranties referred to in such Section, except in respect of Claims which have been made by the Vendor to the Purchaser in writing prior to the expiration of such period.

ARTICLE 5
COVENANTS OF THE VENDOR

5.1 Access to the Vendor. The Vendor shall forthwith make available to the Purchaser and its authorized Representatives in the Data Room copies of all title documents, Contracts, financial statements, policies, plans, reports, licences, orders, permits, books of account, accounting records and all other material documents, information and data, relating to the Business in the possession or control of the Vendor. The Vendor shall afford the Purchaser and its authorized Representatives access to the Property of the Vendor upon written request and at least five (5) Business Days' prior written notice during the Vendor' normal business hours and provided that the Purchaser and its Representatives shall not impede the day to day operation of the Business. All visits by the Purchaser and its Representatives to the Property of the Vendor shall be conducted under the supervision of the Vendor. The Purchaser shall not undertake any drilling or subsurface investigations under any of the Property except with the prior approval of the Vendor not to be unreasonably withheld. The Vendor and the Purchaser shall cooperate in good faith in arranging any confidential meetings as the Purchaser should reasonably request with senior executives of the Vendor employed in the Business. In no way does this Section permit the Purchaser to contact, solicit, directly or indirectly, any of the Vendor's suppliers, customers or service providers without providing the Vendor with prior written notice.

5.2 Conduct of Business Prior to Closing. During the period from the date of the Initial Financial Statements to the Closing Date, the Vendor has caused and shall cause the Business to be conducted in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement), and shall not permit or authorize the Vendor to sell or otherwise dispose of any of its Property, other than sales or dispositions of Property in the ordinary course not exceeding two hundred and fifty thousand dollars ($250,000) in the aggregate or as contemplated by this Agreement with respect to the amalgamation of the Corporation and PUSI. The Vendor shall obtain the Purchaser's prior written consent, which consent may be unreasonably withheld, to any Material Contract contemplated to be entered into following the Effective Date. During such period there shall be no change in the Business, operation, affairs, personnel and/or financial condition of the Vendor, except for changes occurring in the ordinary course of business which in aggregate would not reasonably be expected to have a Material Adverse Effect. The Parties further expressly acknowledge that, notwithstanding anything herein contained, during the period from execution of this Agreement to the Closing Date, the Vendor shall be permitted to declare and pay dividends to COPHI out of cash on hand and the Corporation shall be permitted to amalgamate with PUSI forming AmalCo.

5.3 Delivery of Books and Records.

(a) At Closing, the Vendor and COPHI shall cause to be delivered to the Purchaser all of the books and records of or relating to the Corporation and the Business; and

(b) Notwithstanding Subsection 5.3(a), the Corporation shall be entitled to retain copies of any documents or other data delivered to the Purchaser pursuant to Subsection 5.3(a) provided that those documents are reasonably required by COPHI or the Corporation to perform its obligations hereunder or under Applicable Law; and

(c) AmalCo may retain Business data generated or collected post-Closing in connection with the Business' first billing cycle ending on or after Licence Integration, pursuant to the distributor's licence exemption available for disclosure by licensee to service provider for billing purposes, and agrees that it will not use or disclose such data for any other purpose.

5.4 Transfer of Purchased Assets. The Vendor shall take all necessary steps and proceedings to permit the Purchased Assets to be duly and validly transferred to the Purchaser and, as applicable, to have such transfers duly and validly recorded in all relevant registries, except for any Undocumented Real Estate Interests or any Easements noted as "unregistered" in Schedule 3.1(i) which shall be conveyed by way of a general conveyance document.

5.5 Non-Assignable Assets. The Corporation, PUSI, the City and COPHI will use their respective best efforts to transfer, or to cause any of their Affiliates to transfer, as applicable, any property, including Assigned Contracts used in the Business but held by the Corporation, PUSI, the City or COPHI (or any of their Affiliates) to the Purchaser (including obtaining any required third party consents) and in the absence of any such consent or effective transfer, the Corporation, PUSI, the City or COPHI as the case may be, shall hold (or shall cause its applicable Affiliate to hold, as applicable) such asset in trust for the benefit of the Purchaser or as it may direct.

5.6 Employee Information. The Vendor has provided to the Purchaser in the Confidential Disclosure Schedule a list of certain employees of the Vendor or Vendor employment positions that are intended to be transferred to the Purchaser, together with, other than in respect of unionized Wave 2 Employees, individual-level related employment information, including employee number, title, compensation, years of service, whether such persons are union or non-union members, and the Employee Plans for which such individuals participate (the "**Employee Fact Sheet**"). Within 120 days of the execution of this Agreement (or as soon as practicable thereafter), the Vendor shall update the Employee Fact Sheet to provide the same individual-level information with respect to unionized Wave 2 Employees only, as well as individual names for all Employees. For greater certainty, such update shall not include any increase in the number of positions, or changes in the types of positions set out in the Employee Fact Sheet.

5.7 Corporation Name Change. The Corporation shall change its name on Closing and cease to carry on business as Peterborough Distribution Inc. Subject to existing usage by COPHI's two affiliates: Peterborough Utilities Hydro Inc. and Peterborough Utilities Hydro 24 Inc., from Closing and terminating one (1) year following Licence Integration, the Vendor and COPHI shall refrain from using the name "Peterborough Hydro" in any way which could reasonably be expected to cause confusion for Customers.

5.8 Additional Rights. The Vendor shall grant, or cause to be granted to the Purchaser on Closing (or to HONI as the Purchaser may direct), valid and enforceable, registerable easements (which shall only be subject to encumbrances that constitute Permitted Encumbrances) over certain Excluded Properties as identified and described in Schedule 2.2, in a form substantially similar to that attached hereto as Schedule 5.8 (the "**Additional Rights**"). The City hereby consents to the granting of the Additional Rights to the extent the City is the registered owner of the applicable Excluded Property.

5.9 Undocumented Water Street Site. The Vendor shall obtain and convey to the Purchaser on Closing (or to HONI as the Purchaser may direct), a valid and enforceable, registered easement for station BS-4 908 Water Street in perpetuity, on terms agreeable to the registered owner (being Ontario Power Generation), but, in any event, on terms similar to those rights currently enjoyed by the Corporation at such property (the "**Water Street Easement**").

ARTICLE 6
COVENANTS OF THE PURCHASER

6.1 Employment and Location Guarantees.

(a) The Purchaser covenants to offer to employ all persons identified in the Employee Fact Sheet (as updated pursuant to Section 5.6 with respect to unionized Wave 2 Employees occupying the positions identified therein) who are active employees of the Vendor, excluding all inactive employees other than those on parental leave, immediately prior to the Transfer Date (the "**Employees**") on the same or substantially similar terms as they currently enjoy with the Vendor. The Purchaser agrees to assume the obligations of a successor employer under the terms of the Collective Agreement and under Applicable Law. The Purchaser hereby covenants and agrees that from the Transfer Date it will, subject to its rights to dismiss for just cause, guarantee the continued employment with the Purchaser, HONI or other Affiliate of the Purchaser, of each Employee who is an Employee of the Vendor on the Transfer Date who accepts the Purchaser's offer of employment, (i) on the same or substantially similar terms and conditions including Employee Plans of their current employment for so long as they remain employed by the Purchaser, and (ii) calculated on the same basis as provided to employees hired by HONI as of their date of transfer to another Affiliate of the Purchaser, except that service with the Vendor will be recognized as service with the Purchaser and HONI for seniority purposes. For those Employees that accept the Purchaser's offer of employment, the Purchaser shall recognize the length of service of the Employees with the Vendor up to the Transfer Date in respect of any termination of employment by the Purchaser on or after the Transfer Date.

(b) The Purchaser further covenants and agrees that such employment will be in Peterborough, Ontario for a period of at least one (1) year following the Closing Date (the "**Location Guarantee**") subject to the Confidential Disclosure Schedule. The foregoing shall not prohibit the relocation of Employees with their prior consent.

(c) Subject to the Collective Agreement, the Employees who accept the Purchaser's offer of employment shall cease to accrue any further benefits under any of the

Employee Plans from 12:01 am on the applicable Transfer Date. The Vendor shall remain liable for all obligations for benefit claims under the Employee Plans in respect of such Employees incurred prior to 12:01 am on the applicable Transfer Date. The Purchaser shall be liable for all obligations for benefit claims under the Purchaser's replacement benefit plans in respect of the Employees who accept the Purchaser's offer of employment incurred from or after 12:01 am on the applicable Transfer Date.

6.2 Fair and Equal Employee Treatment for New Hydro One Job Postings. From and after the date on which the Purchaser integrates the Business within HONI, Employees shall have the option and be entitled to apply for any new positions and/or job postings within the Purchaser's Affiliates and will be considered for such positions on a fair and equal basis with other employees of the Purchaser and its Affiliates. In order to receive credit for their seniority and service with the Vendor in such application, the Employee must waive the benefit of the Location Guarantee from and after the application date.

6.3 Participation in Community Events. After Closing, the Purchaser shall provide community assistance to the Corporation and the City as specified in Schedule 6.3.

6.4 Advisory Committee. The Purchaser shall establish an advisory committee (the "**Advisory Committee**") as soon as practicable after Closing to provide a forum for communication between the Purchaser and the City. In establishing the Advisory Committee, the Purchaser shall select one (1) senior HONI employee and one (1) local HONI employee as its Representatives, in consultation with officials of the City. The City has the right to appoint an equal number of members to the Advisory Committee.

6.5 Rate Harmonization.

(a) Notwithstanding Section 2.10, the Purchaser acknowledges, agrees and covenants that is will, within the time frame specified in Section 7.1 and as part of the Required Approvals:

(i) seek OEB approval for a negative rate rider to reduce Current Rates by 1% across all Rate Classes and consistent with OEB policy to eliminate the variable portion of residential rates ("**Negative Rate Rider**"); and

(ii) request that the Reduced Rates shall:

(A) be effective immediately following Closing or as approved by the OEB, whichever is later; and

(B) be maintained at the reduced levels during the Rate Freeze Period.

(b) If the OEB does not approve the Negative Rate Rider in accordance with Subsection (a), and does not approve a Partial Rate Rider, the Purchaser acknowledges, agrees and covenants to maintain Rates at Current Rates, or such other rates as the OEB may require in circumstances where the Purchaser has not requested any increase to the Current Rates, during the Rate Freeze Period. For greater clarity, this Subsection 6.5(b) shall not affect the obligations of the Purchaser under Section 2.10 which are in addition to the Purchaser's obligations under this Subsection 6.5(b).

6.6 Smart Grid, Conservation and Demand Management. Following Closing, the Purchaser will place continued importance on smart grid development and conservation and demand management initiatives in the operations of the Business.

6.7 Books and Records. The Purchaser shall preserve the books and records delivered by the Corporation to it pursuant to Section 5.3 for a period of eight (8) years from the Closing Date, or for such longer period as is required by any Applicable Law, and will permit the Corporation and the City or its authorized Representatives reasonable access thereto in connection with the affairs of the Corporation relating to its matters.

6.8 Confidentiality.

(a) The Parties hereby covenant and agree that each shall keep confidential and not use (except for the purposes of the Transaction) or disclose except as required by Applicable Law, any and all information received by it from another Party leading up to or in connection with the execution of this Agreement and completion of the Transactions contemplated hereby, whether or not received prior to or after the Effective Date, concerning the business and affairs of the Vendor or its Affiliates, or of the Purchaser or its Affiliates as the case may be; provided that nothing herein shall prevent the Purchaser in the event the Transaction does not close, from using such information in connection with an offer to purchase a direct or indirect interest in the Business whether solicited or unsolicited.

(b) In the event that this Agreement is terminated in accordance with the provisions hereof,

(i) the Parties hereby covenant and agree that each shall keep confidential, in accordance with the terms of the Confidentiality Agreement as if each were a party thereto, for a period of five years from the termination date thereof, any and all Confidential Information as defined therein.

(ii) the Purchaser shall:

(A) promptly return to the Vendor all documents, computer disks, other forms of electronic storage or other materials furnished by the Vendor or by any of their respective Representatives to the Purchaser or its Representatives constituting Confidential Information, together with all copies in the possession or under the control of the Purchaser or its Representatives, without retaining a copy of any such material; or

(B) alternatively, provided that the prior written consent of the Vendor has been obtained, promptly destroy all documents or other matters constituting Confidential Information in the possession or under the control of the Purchaser or its Representatives;

and the Purchaser shall confirm such return and/or destruction of Confidential Information to the Vendor in writing and certified by two senior officers of the Purchaser;

(iii) the Purchaser shall promptly destroy the portion of the Confidential Information which consist of analyses, compilations, forecasts, studies, other material or documents prepared by the Purchaser or its Representatives and shall confirm such destruction in writing and certified by two senior officers of the Purchaser;

(iv) any oral or visual Confidential Information will continue to be subject to the terms of the Confidentiality Agreement and the terms of this Subsection 6.8(b)(iv); and

(v) the Purchaser and its Affiliates shall not use for its own purposes, any Confidential Information discovered or acquired by the Purchaser's Representatives as a result of the Vendor making available to them any Confidential Information.

6.9 Future Distribution Rates. Subject to any unanticipated change in the regulatory environment, Hydro One intends to request OEB approval of a ten (10) year rate rebasing deferral period on the same basis as was requested in Hydro One's Mergers, Acquisition, Amalgamations and Divestures application for Orillia Power Distribution Corporation, requesting application of the OEB's price cap adjustment mechanism, an earnings sharing mechanism to offset rates in years (11) eleven onwards.

6.10 Customer Service. Hydro One shall take such actions as are necessary to provide Customers, following Licence Integration, with full access to Hydro One's suite of customer services focused on customer specific interactions which, as of September 26, 2016 included the following benefits:

(a) Extended Call Centre hours (7:30 am to 8:00 pm);

(b) Utilization of a 24/7 Interactive Voice Response system at the call centre that reduces wait times for routine information requests;

(c) Targeted 80% of calls will be answered within 30 seconds during normal periods of operation;

(d) Targeted 85% of customer correspondence will be resolved within 24 hours;

(e) Access to Hydro One's innovative outage application, and outage alerts via text or email notification and the Electricity Discovery Centre which is an event trailer designed to engage and educate customers;

(f) Service Guarantees: a direct pledge to customers, backed by a $50 credit to the customer's account should Hydro One:

(i) Miss a scheduled appointment;

(ii) Fail to connect a new service within 5 business days of all connection requirements being met;

(iii) fail to return a phone call within 1 business day;

(g) Access to an independent ombudsman as an avenue of final appeal for customers who believe they have been unfairly treated by the company.

6.11 Survival. The covenants contained in this Article 6 shall survive the Closing Date.

ARTICLE 7
REQUIRED APPROVALS

7.1 OEB Approval. Each of the Purchaser and the Vendor shall as promptly as practicable after the execution of this Agreement (but in no event later than sixty (60) days after the execution of this Agreement), file or cause to be filed with the OEB an application required to be made under Subsection 86(1) of the *OEB Act* in respect of the OEB Approval as it relates to the Amalgamation, the sale of the Business to the Purchaser and the acquisition from the Purchaser of all or substantially all of the Purchased Assets by HONI (the "**OEB Approval**"). Each of the Purchaser and the Vendor shall use their best efforts to cooperate and assist the other, so that the OEB Approval can be obtained as soon as reasonably possible. All the costs and expenses incurred by the Parties in connection with the application for the OEB Approval shall be borne each Party.

7.2 Competition Act Approval. Each of the Purchaser and the Corporation shall as promptly as practicable after the execution of this Agreement (but in no event later than seventy-five (75) days after the execution of this Agreement), file or cause to be filed with the Commissioner of Competition ("**Commissioner**") appointed under the Competition Act (Canada) (the "**Competition Act**"), or any person duly authorized to perform duties on behalf of the Commissioner, the notice required under section 114 of the *Competition Act* with respect to the sale of the Purchased Assets to the Purchaser ("**Competition Act Notification**"), unless the obligation to give the requisite notice does not apply pursuant to section 113 of the Competition Act. Each of the Purchaser and the Corporation shall use their best efforts to co-operate and assist the other so that one of the following can be obtained as soon as reasonably possible:

(a) The issuance of an advance ruling certificate pursuant to section 102 of the *Competition Act* with respect to the Transactions which has not been rescinded prior to the Closing Date;

(b) The Purchaser and the Corporation completed the Competition Act Notification and the applicable waiting period under section 123 of the *Competition Act* has expired or has been terminated in accordance with the *Competition Act*; or

(c) The obligation to give the requisite notice has been waived pursuant to paragraph 113(c) of the *Competition Act* (collectively, the "**Competition Act Approval**").

All costs and expenses incurred by the Parties in connection with obtaining the Competition Act Approval shall be borne by each Party.

7.3 Ontario Minister of Finance Notice. The Corporation shall as promptly as practicable after the execution of this Agreement (but in no event later than sixty days before the Closing Date), file or cause to be filed with the Ontario Minister of Finance the notification required under Subsection 4(2) of *Ontario Regulation 124/99* made under the EA. If necessary, the Corporation will also file or cause to be filed with the Ontario Minister of Finance such notification as required by Section 7 of *Ontario Regulation 124/99* within thirty (30) days after the Closing Date. The Vendor shall be responsible for the costs incurred by the Corporation in connection with the Ontario Minister of Finance notice.

ARTICLE 8
CONDITIONS OF CLOSING

8.1 Conditions of Closing in Favour of the Purchaser. The Transaction including sale and purchase of the Purchased Assets are subject to the following conditions for the exclusive benefit of the Purchaser, to be fulfilled or performed at or prior to Closing:

(a) **Representations and Warranties**. The representations and warranties of the Vendor contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at Closing, with the same force and effect as if such representations and warranties were made at and as of such and a certificate of a senior officer of the Vendor dated the Closing Date to that effect shall have been delivered to the Purchaser.

(b) **Covenants**. All of the obligations, covenants and agreements contained in this Agreement to be complied with or performed by the Vendor at or prior to Closing shall have been complied with or performed, and a certificate of a senior officer of the COPHI dated the Closing Date to that effect shall have been delivered to the Purchaser. Notwithstanding the preceding sentence, the Purchaser agrees that the Vendor at or prior to Closing shall perform all obligations and covenants in Sections 5.3, 5.5 and 5.7 in all material respects.

(c) **Consents and Required Approvals**. There shall have been obtained, from all appropriate Persons the Required Approvals.

(d) **No Action to Restrain**. No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit:

(i) the purchase and sale of the Purchased Assets; or

(ii) the Vendor from carrying on the Business as the Business is being carried on as at the date hereof.

(e) **Material Adverse Effect**. There shall not have occurred any Material Adverse Effect since the date of this Agreement.

If any of the conditions contained in this Subsection 8.1 shall not be performed or fulfilled at or prior to the Closing or any other timeframe specified above to the satisfaction of the Purchaser, acting reasonably, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, or if the Vendor terminates this Agreement because of a failure of conditions listed in Subsections 8.2(c) or 8.2(d), then in any such event the Purchaser shall be released from all obligations hereunder except those set forth in Section 6.8 and in the Confidentiality Agreement and the Vendor shall direct the City to refund the Deposit and all accrued interest thereon to the Purchaser and the Purchaser shall be released from all obligations hereunder. Any such condition may be waived in whole or in part by the Purchaser without prejudice to any claims it may have for breach of such condition.

8.2 Conditions of Closing in Favour of the Vendor and the City. The purchase and sale of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Vendor and the City, to be fulfilled or performed at or prior to Closing:

(a) **Representations and Warranties**. The representations and warranties of the Purchaser contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of two (2) senior officers of the Purchaser dated the Closing Date to that effect shall have been delivered to the Vendor and the City.

(b) **Covenants**. All of the obligations, covenants, and agreements contained in this Agreement to be complied with or performed by the Purchaser at or prior to Closing shall have been complied with or performed, and a certificate of a senior officers of the Purchaser dated the Closing Date to that effect shall have been delivered to the Vendor and the City.

(c) **Consents and Required Approvals**. There shall have been obtained, from all appropriate Persons the Required Approvals.

(d) **No Action to Restrain**. No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit the purchase of the Purchased Assets.

If any of the conditions in this Subsection 8.2 shall not be performed or fulfilled at or prior to Closing to the satisfaction of the Vendor and the City, acting reasonably, the Vendor and the City may, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor, the City and the Purchaser under this Agreement, and in such event the Vendor and the City shall be released from all obligations hereunder except those set forth in the Confidentiality Agreement and the Vendor or the City, as determined by the City, shall be entitled to the Deposit and accrued interest thereon only in circumstances resulting in termination for failure of performance or fulfillment by the Purchaser of the conditions listed in Subsections 8.2(a) and 8.2(b), as its sole and exclusive remedy for all matters arising out of this Agreement and the Purchaser shall be released from all obligations hereunder. In the event of termination for failure of any other condition in Section 8.2, the Purchaser shall be entitled to the Deposit and accrued interest as if there was a failure of a condition in Section 8.1. Any such condition may be waived in whole or in part by the Vendor or the City without prejudice to any Claims it may have for breach of such condition.

ARTICLE 9
CLOSING ARRANGEMENTS

9.1 Place of Closing. The closing shall take place on the Closing Date. The effective Time of Closing shall be 12:01 a.m. on the Closing Date. The Parties agree to close in escrow during business hours on the last Business Day immediately preceding the Closing Date, with signatures and funds to be released on the Closing Date.

9.2 Vendor's Deliverables. On Closing, upon fulfilment of all the conditions set out in Article 8 that have not been waived in writing by the Purchaser or the Vendor, the Vendor and COPHI shall each deliver or cause to be delivered to the Purchaser, the following:

(a) in respect of the Vendor and COPHI:

(i) a certificate of status;

(ii) a certificate of a senior officer certifying:

(A) corporate status;

(B) constating documents;

(C) the existence or non-existence of unanimous shareholders' agreements and voting trust arrangements;

(D) the resolutions of the board of directors authorizing the execution, delivery and performance of this Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Corporation, PUSI, AmalCo, or COPHI; and

(E) the incumbency and signatures of the officers executing this Agreement and any other document relating to the Transactions.

(b) all deeds, conveyances, bills of sale, assurances, transfers, assignments and any other documentation or action which in the opinion of the Purchaser are necessary or reasonably required to transfer the Purchased Assets (excluding the Additional Rights) to the Purchaser with good and marketable title (excluding any Undocumented Real Estate Interests and except any Easements noted as "unregistered" in Schedule 3.1(i) with respect to which title shall be good and valid), free and clear of all Encumbrances, except for Permitted Encumbrances, in each case duly executed by the Vendor and in form and substance satisfactory to the Purchaser, acting reasonably. Notwithstanding the foregoing, the Purchaser acknowledges that the Easements (except for any Easements noted as "unregistered" in Schedule 3.1(i)) shall be transferred in registrable forms that are acceptable to the land registry office. Notwithstanding the foregoing, all such "unregistered" Easements and all

Undocumented Real Estate Interests shall be conveyed by way of a general conveyance document;

(c) registrable forms (acceptable to the land registry office) of the Additional Rights, the Water Street Easement;

(d) a financing statement in respect of the sale of Accounts Receivable appropriate for registration under the *Personal Property Security Act,* RSO 1990, C P.10;

(e) evidence, satisfactory to the Purchaser of the release and discharge of all encumbrances affecting any of the Purchased Assets, other than the Permitted Encumbrances;

(f) a certificate of AmalCo and COPHI in respect of its representations and warranties set out in Section 3.1 and in respect of its covenants and other obligations set out in this Agreement;

(g) the Guarantee of COPHI in the form in Section 12.13;

(h) joint elections under the Tax Act and the ETA;

(i) certified copies of resolutions of the Vendor authorizing the Transactions; and

(j) such other documentation as the Purchaser reasonably requests in a timely manner in order to establish the completion of the Transaction and the taking of all corporate proceedings in connection with the Transaction (as to certification and otherwise), in each case in form and substance satisfactory to the Purchaser, acting reasonably.

9.3 Purchaser's Deliverables. At Closing, the Purchaser shall deliver or cause to be delivered to the Vendor the following:

(a) a certificate of status of the Purchaser;

(b) a certificate of a senior officer of the Purchaser certifying the constating documents of the Purchaser, certifying the resolutions of the board of directors and/or (if required by Applicable Law) shareholders of the Purchaser authorizing the execution, delivery and performance of this Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Purchaser, and certifying the incumbency and signatures of the officers of the Purchaser executing this Agreement and any other document relating to the Transaction;

(c) payment of the amounts required to be paid on the Closing Date under Section 2.6;

(d) a certificate of the Purchaser in respect of its representations and warranties set out in Section 3.2 and in respect of its covenants and other obligations set out in this Agreement;

(e) the guarantee of Hydro One as contemplated in Section 12.12;

(f) joint elections under the Tax Act and the ETA; and

(g) such other documentation as the Vendor reasonably requests in a timely manner in order to establish the completion of the Transaction and the taking of all corporate proceedings in connection with the Transaction (as to certification and otherwise), in each case in form and substance satisfactory to the Vendor, acting reasonably.

9.4 City's Deliverables. At Closing, the City shall deliver or cause to be delivered to the Vendor the following:

(a) the Guarantee of the City in the form in Section 12.13; and

(b) such other documentation as the Purchaser reasonably requests in a timely manner in order to establish the completion of the Transaction and the taking of all municipal or corporate proceedings in connection with the Transaction (as to certification and otherwise), in each case in form and substance satisfactory to the Purchaser, acting reasonably.

ARTICLE 10
ARBITRATION

10.1 Arbitration.

(a) Any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement, including the Confidentiality Agreement, or the performance, breach, termination or validity thereof, shall be finally settled by arbitration. Either the Vendor or the Purchaser may initiate arbitration within a reasonable time after any such dispute, controversy or claim has arisen, by delivering a written demand for arbitration upon the other Party. The arbitration shall be conducted in accordance with the *Ontario Arbitration Act*, S.O., 1991, c.17. The arbitration shall take place in Toronto, Ontario, and shall be conducted in English.

(b) The arbitration shall be conducted by a single arbitrator having no financial 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 either Party, then either Party shall be free to apply to the Superior Court of Ontario for an Order appointing the arbitrator. Absent agreement or an award in the arbitration to the contrary, the arbitration fees and expenses shall be paid by the Parties jointly.

(c) 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 created under this Agreement, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process.

(d) 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. The award may include an award of costs, including reasonable legal fees and disbursements and fees and expenses of the arbitrator. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.

10.2 Asset Inclusion Disputes. Following Closing, the Parties shall work promptly and in good faith to resolve any dispute relating to whether title or possession of any asset that has an aggregate replacement value (if procured in new condition) of no less than twenty five thousand ($25,000) dollars and is not listed as an Excluded Asset, was used in the Business and was not transferred to the Purchaser, and as such, is to be transferred to the Purchaser or HONI as the case may be and included as a Purchased Asset. Such disputes shall be resolved promptly based on the dispute resolution provisions contemplated in Section 10.1.

ARTICLE 11
INDEMNIFICATION

11.1 Indemnification by the Vendor. Subject to the limitations contained in Section 4.1 respecting survival of the representations and warranties of the Parties and subject to Sections 11.7 and 11.8 but excluding any and all subject matter of Sections 11.10 and 11.11, the Vendor covenants and agrees to indemnify and save harmless the Purchaser effective as and from the Closing Time, from all Losses suffered by the Purchaser as a result of all Claims which may be made or brought against the Purchaser, including Claims suffered by the Purchaser (or made or brought by the Purchaser against the Vendor pursuant to this Agreement) as a result of or arising directly or indirectly out of or in connection with:

(a) any breach by the Vendor of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto other than the Transition Services Agreement;

(b) any breach or non-performance by the Vendor of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and

(c) any Claim (except in respect of the Assumed Liabilities) in connection with the Vendor or the Business to the extent the circumstances giving rise to the Claim arose prior to Closing.

11.2 Indemnification by the Purchaser. Subject to the limitations contained in Section 4.1 respecting survival of the representations and warranties of the Parties and to Sections 11.7 and 11.8, the Purchaser agrees to indemnify and save harmless the Vendor, COPHI and the City effective as and from the Closing Time, from all Losses suffered by the Vendor, COPHI and the City as a result of all Claims which may be made or brought against the Vendor, COPHI and the City, including Claims suffered by the Vendor, COPHI and the City (or made or brought by the Vendor, COPHI and the City against the Purchaser pursuant to this Agreement) as a result of or arising directly or indirectly out of or in connection with:

(a) any breach by the Purchaser of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto;

(b) any breach or non-performance by the Purchaser of any covenant to be performed by it that is contained in this Agreement (including, for greater certainty, failure to offer employment to Employees on the same or similar terms as enjoyed with the Vendor) or in any agreement, certificate or other document delivered pursuant hereto; and

(c) the Assumed Liabilities.

11.3 Notice of Claim. In the event that a Party (the "**Indemnified Party**") shall become aware of any Claim in respect of which the other Party (the "**Indemnifying Party**") agreed to indemnify the Indemnified Party pursuant to this Agreement, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party. Such notice shall specify whether the Claim arises as a result of a claim by a third party (a "**Third Party**") against the Indemnified Party (a "**Third Party Claim**") or whether the Claim does not so arise (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available):

(a) the factual basis for the Claim; and

(b) the amount of the Claim, if known.

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to effectively contest the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give such notice on a timely basis.

11.4 Direct Claims. With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim, failing which the matter shall be referred to binding arbitration pursuant to Section 10.1 hereof.

11.5 Third Party Claims. With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of the Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out of pocket expenses as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel or unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and a representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences). If the Indemnifying Party, having elected to assume such control, thereafter fails to defend the Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim. If any Third Party Claim is of a nature such that the Indemnified Party is required by Applicable Law to make a payment to any Third Party with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount that was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

11.6 Settlement of Third Party Claims. If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that the liability of the Indemnifying Party shall be limited to the proposed settlement amount if any such consent is not obtained for any reason.

11.7 Limitation on Claims.

Notwithstanding Sections 11.1 and 11.2:

(a) no Claim for indemnification under Subsection 11.1(a) or 11.1(c) may be made by the Purchaser against the Vendor, until the aggregate amount of Claims in respect of which the Purchaser may so claim exceeds three million dollars ($3,000,000) (the "**Deductible**"), and then only for the amount of any Claims exceeding the Deductible;

(b) the maximum aggregate amount of indemnification exceeding the Deductible which may be payable by the Vendor under this Agreement pursuant to Subsections 11.1(a) and 11.1(c), shall not exceed an aggregate of three million dollars ($3,000,000), for any reason whatsoever; and

(c) if any payment made pursuant to this Article 11 is subject to HST (or other applicable Tax) or is deemed by Applicable Law to be inclusive of HST (or other applicable Tax), the Indemnifying Party shall pay to the Indemnified Party an amount equal to the HST (or other applicable Tax) in connection with the payment and any additional amount hereunder,

provided however, that the limitations set out in subparagraphs (a) and (b) above shall not apply to any Claim arising from the Purchaser or Hydro One becoming liable for any Excluded

Liabilities, or having to assume any Excluded Liabilities in order to preserve any Purchased Assets.

Neither Party shall be required to indemnify or save harmless the other Party in respect of any breach or inaccuracy of any representation or warranty made under Article 3 unless notice is provided by the Indemnified Party to the Indemnifying Party in accordance with Section 11.3 on or prior to the expiration of the applicable time period related to such representation and warranty as set out in Article 11.

The Indemnifying Party shall only be liable for Losses suffered by the Indemnified Party in respect of a Claim after taking into account insurance proceeds received by the Indemnified party in respect of the occurrence given rise to the Claim. If any Indemnified Party is required under applicable law to pay Taxes (except as provided in paragraph 11.7(c)) in respect of an amount received in respect of any Claim as determined hereunder, the Indemnifying Party will pay such additional amount as is necessary to a place the Indemnified Party in the same after Tax position as it would have been if no Taxes had been payable (except as provided in paragraph 11.7(c)) by the Indemnified Party on the amount received by the Indemnified Party in respect of any such Claim.

11.8 Duty to Mitigate. Nothing in this Agreement in any way restricts or limits the general obligation under Applicable Law of an Indemnified Party to mitigate any loss which it may suffer or incur by reason of a breach by an Indemnifying Party of any representation, warranty, covenant or obligation of the Indemnifying Party under this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement.

11.9 Exclusivity. The provisions of this Article 11 shall apply to any Claim for or in respect of any breach of any covenant, representation, warranty, indemnity or other provision of this Agreement or any agreement, certificate or other document delivered pursuant to this Agreement (other than a claim for specific performance or injunctive relief) with the intent that all such Claims shall be subject to the limitations (except for Claims for indemnification under Article 8 and other provisions contained in this Article 11 except as otherwise expressly set out.

11.10 Sufficiency of Real Estate Assets Indemnity.

(a) Notwithstanding Sections 4.1, 11.1, 11.7 (however the notice and insurance provisions included within Section 11.7 shall apply to this Section 11.10(a)), for a period of ten (10) years following Closing, the Vendor covenants and agrees to indemnify and save harmless the Purchaser from all Losses suffered by the Purchaser as a result of all Claims and Third Party Claims arising directly or indirectly out of or in connection with a breach of any of the representations and warranties contained in Section 3.1(i). No Claim for indemnification under this Section 11.10(a) may be made by the Purchaser against the Vendor for any individual Claim that does not exceed Twenty Five Thousand Dollars ($25,000) (the "**Real Estate Deductible**") and then only for the amount of such Claims exceeding such the Real Estate Deductible. For clarity, the Purchaser shall not be permitted to bundle multiple breaches of the representations and warranties contained in Section 3.1(i) into an individual Claim, and, furthermore, any breach of a representation and warranty contained in Section 3.1(i) must individually exceed the Real Estate Deductible before a Claim for indemnification under this Section 11.10(a) may be made.

(b) Notwithstanding Sections 4.1, 11.1, 11.7 (however the notice and insurance provisions included within Section 11.7 shall apply to this Section 11.10(b)), for a period of ten (10) years following Closing, the Vendor covenants and agrees to indemnify and save harmless the Purchaser from all Losses suffered by the Purchaser as a result of all Claims and Third Party Claims arising directly or indirectly out of or in connection with an Undocumented Real Estate Interest not providing the required rights of occupancy, possession, use, entry and exit, as applicable, as reasonably necessary to carry on the Business on the applicable real property (including, but not limited to, any Claims or Third Party Claims in connection with any encroachment of Fixed Assets on such applicable real property) ("**Lack of Rights**"). No Claim for indemnification under this Section 11.10(b) may be made by the Purchaser against the Vendor for any individual Claim that does not exceed the Real Estate Deductible and then only for the amount of such Claims exceeding such the Real Estate Deductible. For clarity, the Purchaser shall not be permitted to bundle multiple instances of a Lack of Rights into an individual Claim, and, furthermore, an instance of a Lack of Rights must individually exceed the Real Estate Deductible before a Claim for indemnification under this Section 11.10(b) may be made. Notwithstanding anything contained herein to the contrary, the indemnity contained in the Section 11.10(b) shall not apply to any Claim for a Lack of Rights, where it can be demonstrated that the Purchaser, Hydro One or any of its Affiliates initiated discussions or contact with a landowner, tenant, licensee or occupier of the applicable real property with the primary purpose of rectifying or identifying a Lack of Rights or a potential Lack of Rights at such real property and agrees to provide the Vendor with reasonable evidence demonstrating it acted in accordance with this Section 11.10(b) within ten (10) days following a request by the Vendor. Notwithstanding anything set out in this Agreement to the contrary, the identification of a Lack of Rights by the Purchaser or Hydro One prior to Closing with respect to Fixed Assets that have been identified and disclosed by the Vendor, via a report or map from its geographic information system software or other similar documentation (such as the report delivered as of May 1, 2018), to the Purchaser as being the subject of Undocumented Real Estate Interests prior to the execution of this Agreement shall not permit the Purchaser to terminate this Agreement or not close the Transaction.

(c) The maximum aggregate amount of indemnification which may be payable by the Vendor under Section 11.10(a) and Section 11.10(b) shall, together, not exceed an aggregate of Three Million Dollars ($3,000,000) dollars (the "**Real Estate Cap**"), for any reason whatsoever and any amount of indemnification paid by the Vendor under Section 11.10(a) and Section 11.10(b) shall, together, count towards, and be included in, the maximum aggregate liability of the Vendor for indemnification set out in Section 11.7(b). For greater certainty, the amount of any Real Estate Deductible shall count towards, and be included in, the Deductible set out in Section 11.7(a).

(d) Prior to asserting any rights to indemnification under this Section 11.10, the Purchaser or Hydro One shall provide notice of the alleged deficiency or issue to the Vendor in connection therewith. Within ten (10) business days of receipt of the aforementioned notice from the Purchaser or Hydro One, the Vendor shall deliver a reply notice to the Purchaser or Hydro One, as applicable, indicating whether the Vendor is electing to attempt to rectify the deficiency or issue. In the event the Vendor does not deliver the aforementioned reply notice within the ten (10) business day period, the Vendor shall be deemed to have elected to not pursue rectification of the deficiency or issue. In the event, within the ten (10) business day period, the Vendor delivers the aforementioned reply notice and therein elects to pursue rectification of the deficiency or issue, prior to asserting any rights to indemnification under this Section 11.10, the Purchaser or Hydro One, as applicable, shall provide the Vendor with thirty (30) days from the delivery of the aforementioned reply notice (or such other longer period as may be agreed to between the parties, acting reasonably), to rectify the deficiency or issue with the applicable landowner, tenant, licensee or occupier of the applicable real property. The Purchaser or Hydro One, as applicable, shall cooperate and assist the Vendor as reasonably necessary with the rectification of the deficiency or issue, provided that such assistance shall not require the Purchaser or Hydro One, to pay or incur out-of-pocket expenses.

(e) Notwithstanding the foregoing paragraph, where the Vendor has made indemnification payments under this Section 11.10 in the amount of the Real Estate Cap, or where the maximum aggregate liability of the Vendor for indemnification set out in Section 11.7(b) has otherwise been paid hereunder, for a period of ten(10) years following Closing, the Vendor shall cooperate with and assist the Purchaser or Hydro One as reasonably necessary with rectification of any Lack of Rights, provided that such assistance shall not require the Vendor to pay or incur out-of-pocket expenses.

11.11 Indemnity for Successor Rights Claims. Notwithstanding Section 4.1, 11.1 and 11.7 (however the notice and insurance provisions included within Section 11.7 shall apply to this Section 11.11), the Vendor agrees to indemnify the Purchaser from all costs incurred by the Purchaser as a result of all Claims which may be made or brought against the Purchaser or Hydro One (or any of its affiliates) in connection with the employment of any person other than an Employee that Hydro One or an affiliate is required pursuant to Applicable Law to employ as a successor employer to the Vendor or their Affiliates (within the meaning of section 69 of the *Labour Relations Act, 1995*) or as a successor employer to an employer related (within the meaning of section 1(4) of the *Labour Relations Act, 1995*) to the Vendor or their Affiliates, provided that this entire Section 11.11 indemnification only applies if employees are terminated by the Vendor or any of its Affiliates, within a period of two (2) years following the Closing and if so, applies only to direct liabilities of the Purchaser or Hydro One (and not indirect liabilities) with respect to each such terminated employee.

11.12 Indemnity for Vested Sick Leave. The Parties agree and acknowledge that neither the Purchaser nor Hydro One shall have any obligation to compensate any employees of the Vendor in respect of liabilities for Vested Sick Leave in respect of any employees of the Vendor which vested prior to the applicable Transfer Date for such employees. In the event that it is determined at any future time, that the Purchaser or Hydro One has made any payment to any individuals that were employees of the Vendor on account of such Vested Sick Leave, the Vendor covenants and agrees to indemnify and save harmless the Purchaser or Hydro One, as applicable, from all costs or payments that the Purchaser or Hydro One may have made in respect thereof.

ARTICLE 12
MISCELLANEOUS

12.1 Further Assurances. Each Party to this Agreement covenants and agrees that, from time to time subsequent to the Closing Date, it will, at the request and expense of the requesting Party, execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as any other party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

12.2 Announcements. The Parties shall make a joint public announcement with respect to this Agreement and the Transactions herein contemplated, at such time and in such manner as may be mutually agreed upon by the Parties. Except as required by law, no other public announcement, press release, notices, statements and communications to third parties shall be made by either Party hereto without the prior consent and approval of the other Party, provided that the Parties hereby acknowledge that the Parties may be compelled to disclose details of this Agreement and the Transactions contemplated herein in respect of the OEB Approval and that the Vendor or the Purchaser may be compelled to disclose details of this Agreement and the Transactions herein contemplated pursuant to the Municipal *Freedom of Information and Protection of Privacy Act* (Ontario) or the *Freedom of Information and Protection of Privacy Act* (Ontario).

12.3 Brokerage, Commissions, etc. It is understood and agreed that no broker, agent or other intermediary has acted for the Vendor, COPHI, the Vendor or the Purchaser, in connection with the Transaction herein contemplated. The Vendor agrees to indemnify and save harmless the Purchaser from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or to have acted for the Vendor or COPHI in connection with the Transactions herein contemplated. The Purchaser agrees to indemnify and save harmless the Vendor from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary, who purports to act or to have acted for the Purchaser in connection with the Transactions herein contemplated.

12.4 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or sent by registered mail, charges prepaid, addressed as follows:

if to the Vendor:

Peterborough Utilities Group

1867 Ashburnham Drive
Peterborough, ON
K9L 1P8

Attention: John Stephenson
Fax No.: (705) 748-4358

with a copy (not constituting notice) to:

The Corporation of the City of Peterborough
500 George St. North,
Peterborough, ON

Attention: Commissioner of Corporate and Legislative Services
Fax No.: (705) 876-4607

if to the Purchaser:

Hydro One Inc.
483 Bay Street
Toronto, ON
M5G 2P5

Attention: General Counsel
Fax No.: (416) 345-6056

if to the City:

The Corporation of the City of Peterborough
500 George St. North,
Peterborough, ON

Attention: Commissioner of Corporate and Legislative Services
Fax No.: (705) 876-4607

if to COPHI:

Peterborough Utilities Group
1867 Ashburnham Drive
Peterborough, ON
K9L 1P8

Attention: John Stephenson
Fax No.: (705) 748-4358

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by telecopy as aforesaid.

A Party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 12.4.

12.5 Best Efforts. The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of the Party to use its best 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 due and payable to such person, payments for incidental expenses incurred by such person and payments required by any Applicable Law or regulation.

12.6 Costs and Expenses. Except as otherwise provided for herein, all costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Agreement and the Transactions herein contemplated shall be paid by the Party incurring such costs and expenses.

12.7 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

12.8 Successors. This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors.

12.9 Governing Law. This Agreement is 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, excluding the choice of law rules of that province.

12.10 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

12.11 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties and no Third Party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.

12.12 Purchaser's Guarantee. Hydro One hereby unconditionally and irrevocably guarantees to the City and COPHI the full and prompt payment and performance by the Purchaser of the Purchaser's obligations hereunder. The liability of Hydro One to make payment or cause performance hereunder shall arise only after the Purchaser has failed to perform or make payment, as applicable, within one hundred and fifty (150) from receipt of the demand by the Vendor to the Purchaser. Hydro One shall provide this guarantee in stand-alone form on Closing.

12.13 Vendor's Guarantee. COPHI hereby unconditionally and irrevocably guarantees to the Purchaser and Hydro One the full and prompt payment and performance by the Vendor of the Vendor's obligations hereunder (and for greater certainty, includes this Agreement and does not include any other agreements delivered by the Vendor on or prior to Closing). The liability of COPHI to make payment or cause performance hereunder shall arise upon demand being made in writing by the Purchaser or Hydro One to COPHI. The City further guarantees to the Purchaser and Hydro One the full and prompt payment and performance by the Vendor of the Vendor's obligations hereunder. The liability of the City to make payment or cause performance hereunder shall arise only after COPHI has failed to perform or make payment, as applicable, within one hundred and fifty (150) days from receipt of the demand by the Purchaser or Hydro One to COPHI. COPHI and the City shall provide these guarantees in stand-alone form on Closing.

12.14 Successors and Assigns. This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

12.15 Entire Agreement. This Agreement constitutes the entire agreement of the Parties relating to the Transactions. This Agreement supersedes all prior communications, contracts, or agreements between the Parties with respect to the Transactions, whether oral or written.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

THE CORPORATION OF THE CITY OF PETERBOROUGH

Per: ______________________
Name: Daryl Bennett
Title: Mayor

Per: ______________________
Name: John Kennedy
Title: City Clerk

I/We have authority to bind the corporation

PETERBOROUGH DISTRIBUTION INC.

Per: ______________________
Name: John Stephenson
Title: President & Chief Executive Officer

I have authority to bind the corporation

PETERBOROUGH UTILITIES SERVICES INC.

Per: ______________________
Name: John Stephenson
Title: President & Chief Executive Officer

I have authority to bind the corporation

HYDRO ONE INC.

Per: ______________________
Name:
Title:

I have authority to bind the corporation

1937680 ONTARIO INC.

Per: ______________________
Name:
Title:

Per: ______________________
Name:
Title:

I/We have authority to bind the corporation

CITY OF PETERBOROUGH HOLDINGS INC.

Per: ______________________
Name: John Stephenson
Title: President & Chief Executive Officer

I have authority to bind the corporation

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Per: ________________________________
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Title: President & Chief Executive Officer

I have authority to bind the corporation

PETERBOROUGH UTILITIES SERVICES INC.

Per: ________________________________
Name: John Stephenson
Title: President & Chief Executive Officer

I have authority to bind the corporation

HYDRO ONE INC.

Per: ________________________________
Name: Paul Dobson
Title: CFO, Acting President & CEO

I have authority to bind the corporation

1937680 ONTARIO INC.

Per: ________________________________
Name: James Scarlett
Title: Executive Vice President and Chief Legal Officer

Per: ________________________________
Name:
Title:

I/We have authority to bind the corporation

CITY OF PETERBOROUGH HOLDINGS INC.

Per: ________________________________
Name: John Stephenson
Title: President & Chief Executive Officer

I have authority to bind the corporation

SCHEDULE 1.1(ZZ) - EMPLOYEE LIABILITY CALCULATION

Proforma Illustrative Schedule

	(A) Closing Date	(B) Transfer Date	(C) = (B) minus (A) Difference[1]
Employee Liabilities of Wave 2 Employees:			
Accrued vacation pay			
Accrued sick leave			
Accrued pension plan contributions			
Accrued wages			
Accrued banked overtime			
Statutory deductions payable			
Employee directed deductions payable			
Employer portion of payroll remittances payable:			
Canada Pension Plan premiums			
Employment Insurance			
Workers Safety Insurance Board premiums			
Ontario Employer Health Tax			

Note 1:

The calculated difference will be settled in accordance with Section 2.8 of the Agreement

SCHEDULE 1.1(OOO) – FLEET

LIST OF VEHICLES AS OF YEAR-END 2014

Vehicle #	Description	Lic #	V.I.N.	Make/Model	Model Year
5	Truck - Double Bucket	YK8551	1HTSDPPR7PH541779	INTL/49004X2	1993
6	Truck - Derrick	AH85242	1FVHCYCYXEHFU7142	Freightliner/ FM2 106	2014
8	Truck - Single Bucket	9443XJ	1HTMKAAR19H138811	INTL/DURASTAR	2009
10	Truck - Derrick	6345MR	1HTWHADT44J090589	INTL/7400	2004
11	Truck - Pick Up	6706ZY	1GCRKPEA6B2397255	CHEV/Silverado	2011
12	Truck - Pick Up	AC80251	1GCRPCPEX9D2155614	CHEV/Silverado	2013
16	Van	AC39474	1GCSGAFX6D1116897	CHEV/Cargo 1500	2013
17	Truck - Double Bucket	4385WK	1GCNCPEX8BZ130831	CHEV/Silverado	2011
19	Truck - Pick Up	5178ZV	1GTR2TEA2BZ397469	GMC/1500	2011
20	Van	JJ3793	1GTDM19W1WB535998	GMC / Safari	1998
21	Van	2131VH	1GBDV13197D200525	CHEV/UPLANDER	2007
22	Truck - Pick Up	AC39443	1GCNCPEX8DZ155750	CHEV/Silverado	2013
23	Truck - Single Bucket	AC62812	1HTMKAAR17H473709	INTL/4400	2007
24	Crossover	BKHP989	1GNKREED1BJ139016	CHEV/Traverse	2011
29	Equinox	AC80297	2GNFLCEKXD6340533	CHEV/Equinox	2013
33	Truck - Pick Up	AA48732	1FTKR4EE9BPA43739	FORD/Ranger	2011
34	Truck - Dump	8537JD	1GDKC34F8YF513033	GMC/3500	2000
36	Transit Connect	AB87537	NMOLS6BN6BTO58647	FORD/Connect	2012
37	Compact Utility Vehicle	3869ZP	NMOLS6BN6BTO58647	FORD/CUV	2011
41	Truck - Crew	6708ZY	1GB4KZCG0BF246463	CHEV/Silverado	2011
46	Van	6720ZY	1GCSGAFX6B1172450	CHEV/Express	2011
51	Truck - Double Bucket	3323NS	1HTWHAAT35J006543	INTL/7400	2005
52	Truck - Pick Up	9479ZB	1GC2CVCG7BZ173566	CHEV/SILVERADO2500	2011
53	Truck - Crew	AC39445	1GB4KZCG0DF128867	CHEV/Silverado	2012
54	Truck - Pick Up	AC39375	1GCRKPEA8DZ156025	CHEV/Silverado	2013
56	Truck - Crew	5660VK	1GDHC33F3Y515722	GMC/3500	2000
57	Trailer-FB, Trench Box	N38308	2B93A1C17R1012128	BCF	1994
58	Truck - Pick Up	AA48731	1FTKR4EE4BPA95845	FORD/RANGER	2011
60	Trailer - Oil Filter Press	N31036	169404583 PTR094055901	VELCON	1994
97	Tension Stringer / Puller	H3387T	1T92C1527AS268057	TIMBERLD DPT40B	2010
98	Tension Stringer / Puller	H3388T	1T92C1527AS268058	TIMBERLD DPT40B	2010
114	Truck - Pick Up	7630RR	1FTZR44U26PA76742	FORD	2006
115	Truck - Pick Up	5650VK	1FTZR44U37PA88898	FORD	2007
120	Truck - Single Bucket	AC62823	1FVHCYBS0DHBW7139	FREIGHTLINER/M2 106	2013
128	Electric Car	GVAC708	1G1RA6E44FU113527	CHEV / VOLT	2015

LIST OF VEHICLES AS OF THE EFFECTIVE DATE

#	Description	Lic #	Serial #	Make/	Model	Year
5	Truck - Double Bucket	YK8551	1HTSDPPR7PH541779	INTL	4900 4X2	1993
6	Truck - Derrick	AH85242	1FVHCYCYXEHFU7142	FREIGHTLINER	FM2 106	2014
8	Truck - Single Bucket	9443XJ	1HTMKAAR19H138811	INTL	DURASTAR	2009
10	Truck - Derrick	6345MR	1HTWHADT44J090589	INTL	0000007400	2004
11	Truck - Pick Up	6706ZY	1GCRKPEA6B2397255	CHEV	SILVERADO	2011
12	Truck - Pick Up	AC80251	1GCRPCPEX9D2155614	CHEV	SILVERADO	2013
16	Van	AC39474	1GCSGAFX6D1116897	CHEV	CARGO 1500	2013
17	Truck - Double Bucket	4385WK	1HTWNAZT18J663813	INTL	0000007500	2008
19	Truck - Pick Up	5178ZV	1GTR2TEA2BZ397469	GMC	0000001500	2011
20	Removed from Service 2015	N/A	N/A	N/A	N/A	1998
21	Removed from Service 2017	N/A	N/A	N/A	N/A	2007
22	Truck - Pick Up	AC39443	1GCNCPEX8DZ155750	CHEV	SILVERADO	2013
23	Truck - Single Bucket	AC62812	1HTMKAAR17H473709	INTL	0000004400	2007
24	Crossover	CCEM767	1GNKREED1BJ139016	CHEV	TRAVERSE	2011
29	Equinox	AC80297	2GNFLCEKXD6340533	CHEV	EQUINOX	2013
33	Truck - Pick Up	AA48732	1FTKR4EE9BPA43739	FORD	RANGER	2011
34	Truck - Dump	8537JD	1GDKC34F8YF513033	GMC	0000003500	2000
36	Compact Utility Vehicle	AB87537	NMOLS6BN3CT105036	FORD	CONNECT	2012
37	Compact Utility Vehicle	3869ZP	NMOLS6BN6BTO58647	FORD	CONNECT	2011
41	Truck - Crew	6708ZY	1GB4KZCG0BF246463	CHEV	SILVERADO HD	2011
46	Van	6720ZY	1GCSGAFX6B1172450	CHEV	EXPRESS	2011
51	Truck - Double Bucket	3323NS	1HTWHAAT35J006543	INTL	0000007400	2005
52	Truck - Pick Up	AR56919	1GC2CVCG7BZ173566	CHEV	SILVER2500	2011
53	Truck - Crew	AC39445	1GB4KZCG0DF128867	CHEV	SILVERADO HD	2013
54	Truck - Pick Up	AC39375	1GCRKPEA8DZ156025	CHEV	SILVERADO	2013
56	Truck - Crew	5660VK	1GDHC33F3Y515722	GMC	0000003500	2000
57	Trailer - Flat Bed, Trench Box	N38308	2B93A1C17R1012128	BCF	TRAILER	1994
58	Truck - Pick Up	AA48731	1FTKR4EE4BPA95845	FORD	RANGER	2011
60	Trailer - Oil Filter Press	N31036	169404583 PTR094055901	VELCON	TRAILER	1994
97	Tension Stringer / Puller	H3387T	1T92C1527AS268057	TIMBERLD	DPT40B	2010
98	Tension Stringer / Puller	H3388T	1T92C1527AS268058	TIMBERLD	DPT40B	2010
114	Truck - Pick Up	7630RR	1FTZR44U26PA76742	FORD	RANGER	2006
115	Truck - Pick Up	5650VK	1FTZR44U37PA88898	FORD	RANGER	2007
120	Truck - Single Bucket	AC62823	1FVHCYBS0DHBW7139	FREIGHTLINER	M2-106	2013
128	Electric Car	GVAC708	1G1RA6E44FU113527	CHEV	VOLT	2015
Post 2014 Additions						
20	Van (replace retired van 20)	AK62238	3N6CM0KN0FK692902	NISSAN	NV200	2015
129	Electric Car Smart Fortwo	GVAJ524	WMEEJ9AA0GK842688	MERCEDES BENZ	SMARTEC-fortwo	2015
136	Truck - Pick Up	AW89260	3GCUKNEC6JG376131	CHEV	SILVERADO CREW CAB	2018
137	Truck - Pick Up	AW89266	3GCUKNECXJG376133	CHEV	SILVERADO CREW CAB	2018

SCHEDULE 1.1(BBBB) - INITIAL FINANCIAL STATEMENTS

See attached.

FINANCIAL STATEMENTS OF

PETERBOROUGH DISTRIBUTION INC.

December 31, 2015

TABLE OF CONTENTS

Collins Barrow
Chartered Accountants

Collins Barrow Kawarthas LLP
272 Charlotte Street
Peterborough, Ontario
K9J 2V4

T. 705.742.3418
F. 705.742.9775

www.collinsbarrowkawarthas.com

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Peterborough Distribution Inc.

We have audited the accompanying consolidated financial statements of Peterborough Distribution Inc., which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the consolidated 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 company's internal controls. 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peterborough Distribution Inc. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 7, 2016

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2015
($s in thousands)

	2015 $	2014 $
ASSETS		
Current assets		
Cash	2,167	4,035
Accounts receivable	6,652	7,069
Unbilled revenue on customer accounts	10,730	9,426
Income taxes recoverable	-	235
Inventories (note 4)	1,125	988
Prepaid expenses	83	190
	20,757	21,943
Other assets		
Property, plant and equipment (note 5)	74,755	70,308
Deferred tax assets (note 14)	2,329	2,453
	77,084	72,761
Regulatory assets (note 6)	4,212	5,388
	102,053	100,092

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2015
($s in thousands)

	2015 $	2014 $
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	10,523	13,208
Income taxes payable	77	-
Customer deposits refundable within one year (note 8)	1,080	794
Current portion of long-term debt (note 11)	1,446	1,378
	13,126	15,380
Long-term liabilities		
Customer deposits (note 8)	1,237	1,229
Deferred contributions (note 9)	14,230	12,409
Employee future benefits (note 10)	44	98
Derivative financial instruments	3,210	2,534
Long-term debt (note 11)	39,099	37,545
Due to related parties (note 12)	1,510	1,500
	59,330	55,315
Shareholder's equity		
Share capital (note 13)	21,658	21,658
Accumulated other comprehensive loss (note 19)	(2,350)	(1,853)
Retained earnings	10,172	9,274
	29,480	29,079
Regulatory liabilities (note 6)	117	318
	102,053	100,092

Approved on behalf of the Board

Pm Paterson Director Dan McWilliams Director

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF INCOME

For the year ended December 31, 2015
($s in thousands)

	2015 $	2014 $
Revenue		
Power recovery	95,126	88,576
Distribution	14,154	14,254
Other (note 15)	2,039	1,595
	111,319	104,425
Expenses		
Purchased power	94,151	91,958
Operations and administration (note 16)	8,407	8,719
Amortization (note 5)	3,257	3,039
	105,815	103,716
Income before the undernoted items and income taxes	5,504	709
Net finance costs (note 17)	1,636	1,594
Income (loss) before income taxes and regulatory items	3,868	(885)
Net movement on regulatory deferral accounts	(975)	3,382
Income before income taxes	2,893	2,497
Provision for income taxes (note 14)		
Current	492	422
Deferred	303	150
	795	572
Net income for the year	2,098	1,925

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015
($s in thousands)

	2015 $	2014 $
Net income for the year	2,098	1,925
Other comprehensive income		
Items that will not be reclassified subsequently to net income		
Employee benefit plan actuarial gains	-	1
Related deferred tax	-	-
Items that will be reclassified subsequently to net income		
Change in fair value of derivative instruments	(676)	(1,553)
Related deferred tax	179	412
Other comprehensive loss for the year	(497)	(1,140)
Total comprehensive income for the year	1,601	785

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015
($s in thousands)

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at January 1, 2014	21,658	8,649	(713)	29,594
Net income for the year	-	1,925	-	1,925
Actuarial gain on accrued employee benefit liabilities, net of tax	-	-	1	1
Change in fair value of hedging instruments, net of tax	-	-	(1,141)	(1,141)
Dividends paid	-	(1,300)	-	(1,300)
Balance at December 31, 2014	21,658	9,274	(1,853)	29,079
Balance at January 1, 2015	21,658	9,274	(1,853)	29,079
Net income for the year	-	2,098	-	2,098
Change in fair value of hedging instruments, net of tax	-	-	(497)	(497)
Dividends paid	-	(1,200)	-	(1,200)
Balance at December 31, 2015	21,658	10,172	(2,350)	29,480

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CASH FLOWS

For the year ended December 31, 2015
($s in thousands)

	2015 $	2014 $
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net income for the year	2,098	1,925
Charges to operations not requiring a current cash payment -		
Amortization	3,257	3,039
Increase (decrease) in employee future liabilities	(54)	1
Net finance costs	1,636	1,594
Recognition of contributed capital	(382)	(340)
Current income tax	492	422
Deferred income tax	303	150
	7,350	6,791
Change in non-cash working capital items (note 18)	(3,602)	4,909
Interest received	144	106
Taxes paid (recovered)	(180)	70
Receipt of deferred contributions	2,203	1,313
Increase in customer deposits	294	208
	6,209	13,397
Investing activities		
Purchase of property, plant and equipment	(7,704)	(6,395)
Decrease (increase) in regulatory assets and liabilities	975	(3,382)
	(6,729)	(9,777)
Financing activities		
Proceeds from long-term debt	3,000	3,500
Advances from related party	10	-
Repayment of long-term debt	(1,378)	(1,313)
Interest paid	(1,780)	(1,700)
Dividends paid	(1,200)	(1,300)
	(1,348)	(813)
Net increase (decrease) in cash	(1,868)	2,807
Cash - beginning of year	4,035	1,228
Cash - end of year	2,167	4,035

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Peterborough Distribution Inc. (the "Company") is an electricity distribution company, wholly owned by the City of Peterborough Holdings Inc. which, in turn, is wholly owned by the Corporation of the City of Peterborough. The Company is incorporated and domiciled in Canada with its head and registered office located at 1867 Ashburnham Drive, Peterborough, ON K9J 6Z5. The Company's distribution rates and conditions for providing services are regulated by the Ontario Energy Board (the "OEB").

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were authorized for issue by the Board of Directors on April 7, 2016.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

(c) Presentation currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand, except when otherwise noted.

(d) Use of significant estimates and judgments

The preparation of the 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgments and estimates made by the Company are outlined below:

(i) Significant Accounting Judgments

- Property, plant and equipment

  The company makes judgments to assess the nature of the costs to be capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depreciation methods and useful lives are appropriate; and distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed.

2. BASIS OF PREPARATION, continued

(ii) Significant Estimates and Assumptions

- Useful lives of Property Plant and Equipment

  Depreciation is based on estimates of the useful lives of each significant component of property plant and equipment. Estimated useful lives are determined based on current facts and past experience, and takes into consideration the anticipated physical life of the asset, technological obsolescence, regulations and independent studies conducted by an independent consulting firm.

- Unbilled revenue

  The measurement of unbilled revenue for electric distribution customers is based on an estimate of the amount of electricity delivered to customers between the date of the last bill and the end of the year.

- Measurement of fair value of financial instruments

  As described in Note 22, the Company uses the discounted cash flow model to estimate the fair value of financial instruments for disclosure purposes.

- Measurement of employee future liabilities

  Employee future liabilities are based on certain assumptions arising from an actuarial report performed on behalf of the Company. These assumptions are detailed in note 10.

(e) Accounting for Electricity Regulation

The Company is regulated by the OEB and accounts for the impact of rate regulation by the OEB as follows:

(i) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset, or creation of a liability, and culminating in an adjustment to Company distribution rates, such occurrences are immediately reflected in the Company's accounts.

(ii) Regulatory Accounting Practice

In the absence of a regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities.

Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of the decision and such adjustments are reflected in net income for the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

(a) Revenue Recognition

a. Electricity Distribution

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax and debt retirement charges.

b. Deferred Contributions

Certain items of property, plant and equipment are acquired or constructed with financial assistance in the form of contributions from developers ("deferred contributions"). Such contributions, whether in cash or in-kind, are recognized as deferred contributions and amortized into net income over the life of the related assets. Deferred contributions in-kind are valued at their fair value at the date of their contribution.

c. Conservation and Demand Management ("CDM")

Performance incentive payments under CDM programs are recognized by the Company when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

d. Other

Other revenues are recognized when the services are rendered.

(b) Financial Instruments

- Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the settlement date of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The Company has the following non-derivative financial assets which it has classified as follows:

• Cash	Loans and receivables
• Accounts receivable	Loans and receivables
• Unbilled revenue	Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

- Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the settlement date of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities which it has classified as follows:

• Accounts payable and accrued liabilities	Other financial liabilities
• Customer deposits	Other financial liabilities
• Due to related parties	Other financial liabilities
• Long-term debt	Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

- Derivative financial instruments and hedge accounting

Derivative financial instruments in the form of interest rate swap contracts are used to manage exposure to fluctuations in interest rates on the Company's long-term debt. The contracts are designated as hedges, and therefore any gain or loss, net of tax, is included in other comprehensive income.

(c) Cash

Cash consists of balances with financial institutions.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Inventories

Inventory consists of distribution system maintenance and construction materials and is valued at the lower of moving average cost and replacement cost. Major spare parts and stand-by equipment are recorded in property, plant and equipment.

(e) Property, plant and equipment

- *Recognition and measurement*

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation, and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset.

In circumstances where parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost and related accumulated depreciation for identifiable PP&E, such as substations, remain in the accounts until the assets are retired or disposed of at which time any gain or loss is reflected in operations. PP&E which are recorded on a group basis, such as meters, are removed from the accounts only at the end of their estimated service lives.

- *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

- *Depreciation*

Depreciation of PP&E is recognized on a straight-line basis designed to amortize the assets over their estimated useful lives as follows:

Buildings	35 – 50 years
Substations	20 – 45 years
Distribution lines	30 – 60 years
Transformers	35 – 60 years
Meters	15 – 25 years
Other	4 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Work in process assets are not depreciated until the project is complete and ready for use.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of the item.

(f) Deferred contributions

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred contributions.

Deferred contributions represent the Company's obligation to continue to provide customers access to the supply of electricity and is amortized to income over the economic useful life of the contributed asset.

(g) Employee benefits

i. O.M.E.R.S.

The Company participates in an industry-wide multi-employer post-employment defined benefit pension plan, the Ontario Municipal Employees Retirement Systems (O.M.E.R.S). Both participating employers and employees are required to make plan contributions based on the employees' contributory earnings. The Company recognizes its employee benefit expense related to this plan as the contributions are made.

ii. Vested sick leave benefits

After five years of service upon retirement or termination, the Company has agreed to pay at the employee's then current pay rate; the lesser of one-half of the employee's accumulated sick leave benefits or 130 days. For those employees who commenced employment on or after April 1, 1982, the amount will not exceed 130 days or the number of years of service prior to April 1, 2007, times six days.

For financial statement purposes the liability is valued at the total of each employee's current vested sick leave hours at current pay rates in accordance with the above formula.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Employee benefits plans

The Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. These defined benefit plans are not funded. Accordingly, there are no plan assets.

The Company's net obligation in respect of these is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from these plans in other comprehensive income during the period in which they occur and all expenses related to defined benefit plans in profit or loss. The actuarial gains and losses are not reclassified to net income in subsequent periods.

iv. Short-term employee benefits

Short-term employee benefit obligations, including accumulating vested sick leave and vacation, are measured on an undiscounted basis using management's best estimates and are expensed as the related service is provided.

(h) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on the disposal of financial assets. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in comprehensive income using the effective interest method.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other finance charges that the Company incurs in borrowing funds.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes ("PIL's") to Ontario Electricity Financial Corporation ("OEFC"). The payments in lieu of taxes are calculated on a basis as if the Company was a taxable company under the Income Tax Act (Canada).

Corporate income taxes are calculated using the deferred income tax liability and asset method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset and its carrying amount on the statement of financial position are used to calculate deferred tax liabilities or assets. Deferred tax liabilities or assets are measured using tax rates anticipated to apply in the periods that the temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the year in which the change occurs.

(j) Impairment

- *Financial assets (including receivables)*

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

- *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories, 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. The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets that cannot be tested individually 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"). 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 income. Impairment losses recognized in respect of CGUs reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(k) New Standards and interpretations not yet effective or adopted

i. Effective for annual periods beginning on or after July 1, 2016
   - IFRS 14 Regulatory Deferral Accounts: Interim standard permits IFRS adopters to continue to recognize amounts related to rate regulation in accordance with previous GAAP.
   - IAS 1 Presentation of Financial Statements: Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

ii. Effective for annual periods beginning on or after January 1, 2018
   - IFRS 9 Financial Instruments: Recognition and Measurement (new) – modifies IAS 39 eliminating categories and redefines gain and loss re-measurement.
   - IFRS 15 Revenue from Contracts with Customers: The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard contains enhanced disclosures about revenue and provides guidance for transactions that were not previously addressed comprehensively.

The Company has early adopted IFRS 14 for the year ended December 31, 2014 and as such continues to recognize rate regulated activities.

The Company has not early adopted IAS 1, IFRS 9, or IFRS 15 and is currently assessing the impact that the standard will have on the statements.

(in thousands of dollars)

4. INVENTORIES

The amount of inventory consumed by the Company and recognized as an expense during 2015 was $1,409 (2014 - $1,258).

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Cost or deemed cost						
Balance, Jan 1, 2014	585	38,750	12,175	16,250	2,165	69,925
Additions	118	2,985	1,785	727	5,938	11,553
Transfers	-	-	-	-	(5,156)	(5,156)
Balance, Dec 31, 2014	703	41,735	13,960	16,977	2,947	76,322
Additions	164	6,681	1,279	1,086	6,642	15,852
Transfers	-	-	-	-	(8,148)	(8,148)
Balance, Dec 31, 2015	867	48,416	15,239	18,063	1,441	84,026

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Accumulated depreciation						
Balance, Jan 1, 2014	10	1,506	448	1,011	-	2,975
Depreciation expense	12	1,569	491	967	-	3,039
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2014	22	3,075	939	1,978	-	6,014
Depreciation expense	15	1,675	579	988	-	3,257
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2015	37	4,750	1,518	2,966	-	9,271
Net Book Value						
At Dec 31, 2014	681	38,660	13,021	14,999	2,947	70,308
At Dec 31, 2015	830	43,666	13,721	15,097	1,441	74,755

(in thousands of dollars)

6. REGULATORY ASSETS AND LIABILITIES

The Company has recorded the following regulatory assets and liabilities:

	Net retail settlement variance (i) $	Smart meter variance (ii) $	Regulatory items approved for settlement (iii) $	Other (iv) $	Total $
Regulatory Assets					
Balance, Jan 1, 2014	1,298	1,272	-	231	2,801
Recovery/reversal	3,114	(540)	-	13	2,587
Balance, Dec 31, 2014	4,412	732	-	244	5,388
Recovery/reversal	(1,433)	(366)	618	5	(1,176)
Balance, Dec 31, 2015	2,979	366	618	249	4,212
Remaining recovery/ reversal period (years)		2	1-4	1-4	

	Regulatory items approved for settlement (iii) $	Total $
Regulatory Liabilities		
Balance, Jan 1, 2014	1,113	1,113
Recovery/reversal	(795)	(795)
Balance, Dec 31, 2014	318	318
Recovery/reversal	(201)	(201)
Balance, Dec 31, 2015	117	117
Remaining recovery/ reversal period (years)	2	

(in thousands of dollars)

6. REGULATORY ASSETS AND LIABILITIES, continued

(i) Retail settlement variances represent the difference between the amount paid by the Company to the Independent Electricity System Operator ("IESO") for the cost of energy and the amount billed by the Company to its customers as energy sales, and related carrying costs. These amounts are recorded on the statement of financial position as retail settlement variances until their final disposition is decided by the OEB. The Company recognizes retail settlement variances as a regulatory deferral account debit or credit based on the expectation that these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process, the timing of which has yet to be determined.

(ii) In 2012, the OEB approved disposition of the Smart Meter variance account, excluding the portion related to the meters replaced ("stranded meters"). As prescribed by the regulator, the smart meter disposition resulted in the transfer of approximately $5,200 to property, plant and equipment and $1,200 in additional amortization expense in 2012. The remaining balance in the Smart Meter variance account of $366 (2014 - $732) represents the estimated net recoverable value of stranded meter assets to be recovered in future rates.

(iii) Regulatory items approved for settlement consists of various deferred amounts in connection with accounting policy changes, global adjustment dispositions, and other amounts approved by the OEB. Costs incurred with respect to these various activities are included in rate recoveries effective until 2017.

(iv) Included in other is the lost revenue adjustment ("LRAM") variance account with a balance of $74 at December 31, 2015 (2014 - $73). The LRAM variance account is a retrospective adjustment designed to recover revenues lost from distributor supported CDM activities in a prior year. The Company expects future collection of these amounts through the rate setting and approval process, the timing of which has yet to be determined.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015 $	2014 $
Accounts payable – energy purchases	6,523	7,168
Trade payables and accrued liabilities	3,268	5,347
Commodity taxes payable	240	178
Holdbacks	85	53
Debt retirement charge payable	407	462
	10,523	13,208

(in thousands of dollars)

8. CUSTOMER DEPOSITS

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2.0%.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred contributions.

	2015 $	2014 $
Electrical distribution customer deposits	2,040	1,865
Electrical retailer deposits	61	61
Construction deposits	216	97
	2,317	2,023
Less: Current portion included in above	(1,080)	(794)
	1,237	1,229

9. DEFERRED CONTRIBUTIONS

The continuity of deferred customer contributions in aid of construction of PP&E is as follows:

	2015 $	2014 $
Balance, beginning of year	12,409	11,436
Add : Customer contributions during the year	2,203	1,313
	14,612	12,749
Less: Amount recognized as other revenue	(382)	(340)
Balance, end of year	14,230	12,409

(in thousands of dollars)

10. EMPLOYEE FUTURE LIABILITIES

(a) Employee Future Liabilities

Employee future liabilities are comprised of vested sick leave and accrued benefit liabilities related to the Company's post employment medical and life insurance plan. Amounts accrued in these financial statements are summarized as follows:

	2015 $	2014 $
Vested sick leave liability	-	53
Accrued employee benefit liability	44	45
Employee future liabilities	44	98

(b) Post Employment Medical and Life Insurance Plan

Under the plan, the Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. The present value of the employee benefit liability is actuarially determined and fully reflected as an obligation. Actuarial gains and losses arising from these plans are recognized in other comprehensive income during the period in which they occur. The accrued employee benefit liability is based on an actuarial valuation as at December 31, 2015.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	2015 %	2014 %
Discount rate	4.00	4.00
Rate of compensation increase	2.50	2.50
Medical benefits costs escalation	6.66	7.00
Dental benefits cost escalation	4.60	4.60

The Company recognizes all actuarial gains and losses arising from these plans in other comprehensive income during the period in which they occur and all expenses related to defined benefit plans in income from operations. The actuarial gains and losses are not reclassified to income from operations in subsequent periods. The plan is not funded and accordingly there are no plan assets.

(in thousands of dollars)

11. LONG-TERM DEBT

(a) A summary of outstanding long-term debt is provided in the table below:

	Note	Maturity	Rate %	2015 $	2014 $
Toronto Dominion Bank operating loan	i)	2017	2.45	9,000	6,000
Toronto Dominion Bank term loan	ii)	2023	4.25	20,550	20,932
Toronto Dominion Bank term loan	iii)	2018	4.55	4,070	4,482
Toronto Dominion Bank term loan	iv)	2019	5.36	6,925	7,509
				40,545	38,923
Less: Current portion of debt				(1,446)	(1,378)
				39,099	37,545

i. At December 31, 2015 PDI, had drawn $9,000 on its $16,000 multi draw variable rate committed loan facility with Toronto-Dominion Bank (“TD”) (2014 - $6,000). This loan, along with term loans ii through iv below, is secured by a general security agreement covering the assets of PDI.

ii. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due August 21, 2023 with a balloon payment of $17,120 due upon maturity. PDI makes monthly blended payments of principal and interest of $105. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 4.25% for this liability.

iii. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due December 24, 2018 with a balloon payment of $2,765 due upon maturity. PDI makes monthly blended payments of principal and interest of $51. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 4.55% for this liability.

iv. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due December 22, 2019 with a balloon payment of $4,315 due upon maturity. PDI makes monthly blended payments of principal and interest of $81. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 5.36% for this liability.

(b) Financial Ratios

The bank agreements require the Company to maintain certain financial ratios which must be met on a quarterly or annual basis. Through the 12 month period ended December 31, 2015 the Company was in compliance with the financial ratio requirements.

(in thousands of dollars)

11. LONG-TERM DEBT, continued

(c) Letters of Credit

The Company has posted $7,064 (2014 - $7,064) in stand-by letters of credit with the Independent Electricity System Operator, as required by regulation.

(d) The aggregate amount of principal payments required is as follows:

	$
2016	1,446
2017	10,516
2018	4,305
2019	5,428
2020	472
Thereafter	18,378
	40,545

12. DUE TO RELATED PARTIES

	2015 $	2014 $
Demand loan from the City of Peterborough Holdings Inc., bearing interest at 4%	1,510	1,500

The demand loan is without specified maturity dates or repayment terms, and is secured by a general security agreement in favour of the City of Peterborough Holdings Inc. The security has been subordinated to the security for the Company's long-term debt (note 11).

The Shareholder has confirmed that it will not require repayment in fiscal 2016.

Included in interest expense is interest on the demand loans for the year ended December 31, 2015 in the amount of $60 (2014 - $26).

13. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued

	2015 $	2014 $
1,000 common shares	21,658	21,658

(in thousands of dollars)

14. INCOME TAXES

a. Reconciliation of effective tax rate

The provision for income taxes recorded in the financial statements differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rate of 26.5% (2014 – 26.5%). The reconciliation between the statutory and effective tax rates is as follows:

	2015 $	2014 $
Income for the year before income taxes	2,893	2,497
Anticipated income tax expense	767	662
Increase (decrease) in income taxes resulting from:		
Impact of tax rate changes and other	28	(90)
Income tax expense	795	572

b. Deferred tax assets

The effects of the temporary differences that give rise to the deferred income tax assets are as follows:

	2015 $	2014 $
Tax basis of equipment in excess of carrying amount	1,466	1,755
Employee future benefits	12	26
Derivative financial instruments	851	672
	2,329	2,453

15. OTHER REVENUE

Other revenue is comprised of:

	2015 $	2014 $
Retail and specific service charges	806	790
Change of occupancy charges	173	173
Building and pole rentals	236	249
Recognition of deferred contributions	382	340
Miscellaneous	442	43
	2,039	1,595

(in thousands of dollars)

16. OPERATING AND ADMINISTRATION EXPENSES

Operating and administration expenses are comprised of:

	2015 $	2014 $
Wages and benefits	208	224
Materials, equipment and other operating expenses	3,233	3,327
Administration and facilities	4,966	5,168
	8,407	8,719

17. NET FINANCE COSTS

	2015 $	2014 $
Interest income on bank balances and accounts receivable	38	40
Interest income on regulatory assets	44	66
Interest income on related party loans	26	-
Finance income	108	106
Interest expense on bank debt	1,684	1,674
Interest expense on shareholder debt	60	26
Finance charges	1,744	1,700
Net finance charges recognized in earnings	1,636	1,594

18. NET CHANGE IN NON-CASH WORKING CAPITAL

	2015 $	2014 $
Accounts receivable	417	(248)
Unbilled revenue	(1,304)	1,330
Inventories	(137)	270
Prepaid expenses	107	(49)
Accounts payable and accrued liabilities	(2,685)	3,606
	(3,602)	4,909

(in thousands of dollars)

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The Company's accumulated other comprehensive loss is comprised of the following:

	2015 $	2014 $
Actuarial loss on accrued employee benefit liabilities, net of tax	9	9
Change in fair value of derivative instruments, net of tax	(2,359)	(1,862)
	(2,350)	(1,853)

20. RELATED PARTY TRANSACTIONS

The Company provides electricity and services to the shareholder of its parent, the City of Peterborough and to affiliate companies. Electrical energy is sold to these parties at the same prices and terms as other electricity customers.

The Company is also engaged in transactions in the normal course of operations with affiliated companies and the Peterborough Utilities Commission. The parties are related by virtue of common control.

Details of related party transactions are as follows:

	2015 $	2014 $
Revenue		
Rental revenue	15	14
Expenses		
Professional services	3,315	3,602
Operating costs	2,685	2,321
Building rent	505	518
	6,505	6,441
Other – Capital expenditures	2,276	2,211

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director. Compensation applicable to management and directors directly or indirectly through allocations from affiliated companies during the year amounted to approximately $569 (2014 - $523).

(in thousands of dollars)

21. CAPITAL DISCLOSURES

The Company's primary objective when managing capital is to address the expectations as outlined in the Unanimous Shareholder Declaration between the Company's parent company, the City of Peterborough Holdings Inc., and its shareholder, the Corporation of the City of Peterborough. The expectation is that the Company will maintain a prudent financial and capitalization structure consistent with industry norms and on the basis that it is intended to be a self-financed entity.

The industry norm for capital structure, as supported by the Ontario Energy Board as regulator, suggests that companies operating in the distribution industry would have capital comprised of 60% debt and 40% equity. The Company is targeting to attain that structure, to the extent possible, in future years. The Company's current capital structure is defined as follows:

	2015 $	2014 $
Long-term debt	40,545	38,923
Due to related parties	1,510	1,500
	42,055	40,423

	2015 $	2014 $
Share capital	21,658	21,658
Accumulated other comprehensive income	(2,350)	(1,853)
Retained earnings	10,172	9,274
	29,480	29,079

Changes to the Company's capital structure are constrained by an existing lending agreement provision that limits the amount of dividend distributions and the repayment of related party debt subject to certain cash flow tests. Additionally the agreements provide for a restriction on the incurrence of new debt or the posting of security without prior lender consent. The Company has complied with these requirements during the year.

(in thousands of dollars)

22. FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivables, unbilled revenue on customer accounts, accounts payable and accrued liabilities and customer deposits approximates their carry amounts due to their short-term maturities.

Financial instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- 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 the liabilities that are not based on observable market data (unobservable inputs)

The Company's fair value hierarchy is classified as Level 2 for bank debt and derivative financial instruments. The classification has been calculated using the discounted cash flow model based on the contractual terms of the instrument discounted using an appropriate market rate of interest. The carrying and fair values of these financial instruments are as follows:

	2015 Carrying value $	2015 Fair value $	2014 Carrying value $	2014 Fair value $
Due to related parties	1,510	1,510	1,500	1,500
Bank debt	40,545	43,755	38,923	41,457
	42,055	45,265	40,423	42,957

The company has entered into interest rate swap agreements for its bank debt. These swaps qualify as hedges, and as a result the unrealized loss on the debt is included in other comprehensive income for the period incurred. As of December 31, 2015, the Company has an unrealized loss on its derivative financial instruments of $3,210 (December 31, 2014 - $2,534).

(in thousands of dollars)

23. FINANCIAL RISK MANAGEMENT

In the course of its business the Company may be exposed to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. An assessment of these risks as they apply to the Company is provided below:

(a) Credit risk

By regulation, in addition to the distribution service charges that the Company earns, the customers' electricity bills include, transmission charges, non competitive energy charges, debt retirement and electricity commodity charges. The Company acts as an agent for billing and collecting these charges on behalf of other market participants and under regulation the Company bears the risk of non-collection of these amounts.

To mitigate credit risk the Company is permitted to request certain customers to provide deposits for a prescribed period. Furthermore, relief from substantial or catastrophic collection loss relief may be afforded by applying for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. The allowance for collection of doubtful accounts included in accounts receivable is in the amount of $449 (2014 - $376).

Pursuant to their respective terms, accounts receivable are aged as follows at December 31:

		2015		2014
	$	%	$	%
Less than 30 days	6,143	87	6,587	88
30-60 days	452	6	348	5
61-90 days	69	1	94	1
Greater than 91 days	437	6	416	6
Total outstanding	7,101	100	7,445	100
Less: allowance for doubtful accounts	(449)	(6)	(376)	(5)
	6,652	94	7,069	95

(b) Interest rate risk

As described in note 11 to the financial statements, the Company has entered into interest rate swap arrangements which are being used to manage the impact of fluctuating interest rates on the majority of its existing bank debt. The swaps require the periodic exchange of interest payments without the exchange of the notional principal amount on which the payments are based. The swap instruments are recognized on the statement of financial position as a derivative financial instrument.

(in thousands of dollars)

23. FINANCIAL RISK MANAGEMENT, continued

(c) Foreign currency risk

The Company conducts the majority of its business without significant exposure to foreign currency.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they occur. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

2015		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 years $	Total $
Long-term debt	40,545	2,844	11,844	8,977	20,386	44,051
Loans from related parties	1,510	1,510	-	-	-	1,510
Accounts payable and accruals	10,523	10,523	-	-	-	10,523
	52,578	14,877	11,844	8,977	20,386	56,084

2014		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 Years $	Total $
Long-term debt	38,923	2,844	2,844	16,557	21,650	43,895
Loans from related parties	1,500	1,500	-	-	-	1,500
Accounts payable and accruals	13,305	13,305	-	-	-	13,305
	53,728	17,649	2,844	16,557	21,650	58,700

At the present time the liquidity risk of the Company is low as it has unutilized existing debt capacity, additional room within its capital structure to attain additional financing as required, and sufficient cash flow to address existing debt obligations.

24. CONTINGENCIES

a) The Company participates with other municipal utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electric Association Reciprocal Insurance Exchange. Under this agreement, the Company is contingently liable for additional assessments to the extent that premiums collected are not sufficient to cover actual loses, claims and costs experienced.

(b) The Company assets are pledged as security and the Company has provided a guarantee to its shareholder, the Corporation of the City of Peterborough in support of debts owning to the shareholder by the company and its affiliates.

25. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2015:

- For rate setting purposes, in February 2016 thirty four employees who principally perform electrical distribution services for the Company were transferred to the Company from the payroll of Peterborough Utilities Services Inc., an affiliated company. With the transfer, employee future liabilities of $811 related to these employees were assumed by the Company.

- Subsequent to the year end, the ultimate shareholder of the Company, the Corporation of the City of Peterborough, initiated a public process to receive constituent input on the potential disposition of the Company. An estimate of the related financial impact is not determinable since there is no agreement or approval for a sale at this time.

26. COMPARATIVE AMOUNTS

The prior year figures have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

SCHEDULE 1.1(FFFFF) – PERMITTED ENCUMBRANCES

1.	1481 Lansdowne Street West	Peterborough Distribution Inc.	PIN 28054-0213 (LT) - PT LT 8, CON 11, PART 1, 45R6860, NORTH MONAGHAN; S/T R487277; PETERBOROUGH	• Thumbnail notes lands are s/t R487277 contained in a Transfer/Deed registered June 2, 1988 reserving a right of way for access • Bylaw R157513 designating area of subdivision control registered February 23, 1966
2.	1170 High Street	Peterborough Distribution Inc.	PIN 28067-0194 (LT) - PT LT 12 CON 12 (N MONAGHAN), PTS 2,3,4 & 5 PL 45R12033 S/T AN EASE IN FAVOUR OF PUBLIC UTILITIES COMMISSION OVER PTS 4 & 5 PL 45R12033 AS IN LT92625; PETERBOROUGH	• Notice of Lease LT65998 to Clearnet PCS Inc. registered July 9, 1999 • Transfer of Easement LT92625 to Peterborough Utilities Commission registered January 9, 2002
3.	963 Parkhill Road West	Peterborough Distribution Inc.	PIN 28476-0100 (LT) - PT LT IO CON 13 (NORTH MONAGHAN), BEING PT 2 PL 45R6165, EXCEPT PTS 7 & 8 PL 45R l5434; CITY OF PETERBOROUGH	
4.	300 Bellevue Street	Peterborough Distribution Inc.	PIN 28119-0115 (LT) - PT BLK Z PL 24T SMITH AS IN T18208 EXCEPT PL 218; S/T EASEMENT OVER PT 1 45R14347 IN FAVOUR OF PT BLK Z PL 24T SMITH AS IN R361279 AS IN PE76327; PETERBOROUGH	• Transfer of Easement PE269655 to Sni-Mac Holdings Limited registered June 13, 2017 • Notice PE85616 re committee of adjustment consent registered August 20, 2008
5.	170 Langton Street (also known as 174 Langton Street)	Peterborough Distribution Inc.	PIN 28122-0260 (LT) - LT 19 PL 205(PETERBOROUGH), S/T R72988 AS EXTENDED BY R619080; PETERBOROUGH	• Transfer of Easement R72988 to The Bell Telephone Company of Canada registered April 17, 1956 • Restrictive Covenants R80589Z contained in a Deed of Land registered April 16, 1957 restricting the use if the lands as park lands and open spaces and for no other purpose • Notice of Claim R619080 re Transfer of Easement R72988 registered

				February 20, 1996
6.	1369 Hillard Street (MS-65)	Peterborough Distribution Inc.	PIN 28413-0473 (LT) – PT LT 4 EAST OF COMMUNICATION ROAD (SMITH), BEING PT 1 PL 45R15654; PETERBOROUGH	• Bylaw R164048 designating area of subdivision control registered September 21, 1966

SCHEDULE 2.1(A)(IV) – ASSIGNED CONTRACTS

*Subject to the terms and conditions of this Agreement, the Vendor agrees to transfer, convey, assign and set over unto the Purchaser on the Closing Date, all of the Vendor's rights (or those of any Affiliate of the Vendor) under the following Contracts to the extent related to the Business (collectively, the "**Assigned Contracts**"):*

(a) *All Contracts listed below;*

(b) *all retailer contracts, contracts with the OPA/IESO and service providers with respect to conservation and demand management programs for Customers, FIT contracts and agreements with the IESO;*

(c) *all Customer Contracts assumed by the Purchaser through the OEB Approval granting the Purchaser a distribution license to carry on the Business;*

(d) *all transmission connection agreements, agreements with HONI;*

(e) *joint use agreements, customer contribution agreements;*

(f) *all Contracts for the supply to the Business of goods and which were entered into between the date of this Agreement and Closing, by or on behalf of the Corporation in the ordinary course of the Business which are not Material Contracts;*

(g) *any Material Contract entered into between the date of this Agreement and Closing, the final form to which Purchaser has given written consent pursuant to section 5.2;*

(h) *all Contracts that are Information System Assets listed in Schedule 2.1(a)(x); and*

(i) *all railway crossing agreements and waterways crossing agreements.*

and all benefit and advantage to be derived therefrom, such that the Purchaser may perform, enforce and enjoy the said Contracts from and after the Closing Date as fully as the Vendor (or any applicable Affiliate) could have done but for this Agreement.

	TITLE OF CONTRACT AND PARTIES	DATE
1.	Model Agreement for Joint Use of Poles by Peterborough Distribution Inc. and Bell Canada	May 6, 2010
2.	Energy Conservation Agreement between Peterborough Distribution Inc. and Ontario Power Authority	December 15, 2014
3.	Security, Government & Infrastructure (SG&I) Intergraph Canada Terms & Conditions, End-User Agreement, and Canadian Maintenance Terms and Conditions between Intergraph Canada Ltd.	August 29, 2013

	and Peterborough Utilities Services Inc.	
4.	AECON Utilities Civil Contracting Purchase Order between Aecon Utilities and PUSI	August 1, 2017
5.	Asplundh Canada ULC Tree Trimming Purchase Order with PUSI	November 1, 2017
6.	Southview Hydrovac Inc. Excavation Purchase Order with PUSI	January 1, 2018
7.	Spring Grove Hydro Excavation Purchase Order with PUSI	January 1, 2018
8.	Survalent Technologies 27.6kV Distribution Automation Project Purchase Order with PUSI	September 22, 2016
9.	Survalent Technologies Software, Service and Maintenance Agreement (dated April 1, 2014) and Purchase Order Renewal	March 5, 2018
10.	Intergraph Canada Ltd. GIS Software License with PUSI	January 1, 2018
11.	MapText Inc. Purchase Order re GIS FieldMap License with PUSI	November 1, 2017
12.	Bentley System Inc. CAD Software License Purchase Order with PUSI	January 1, 2018
13.	Essex Energy Corporation Distribution System Analysis Software Purchase Order with PUSI	January 1, 2018
14.	O-Calc Pole Loading Analysis Software with PUSI	June 8, 2018
15.	Burman Energy Consultants Group Inc. Conservation & Demand Management Business Program Technical & Planning Services Purchase Order with PUSI	April 7, 2016
16.	Meter Services Peterborough Inc. Wholesale Meter Settlement Services	January 1, 2018
17.	Peterborough Utilities Inc. Meter Services Provider Agreement and Amending Agreement	January 1, 2013
18.	Cogeco Joint Use of Poles Agreement	October 4, 2005
19.	Nexicom Joint Use of Poles Agreement	October 4, 2005
20.	Rogers Joint Use of Poles Agreement	January 12,

		2010
21.	The following line items within the Purchase Order No. BL - 63011 related to the Rogers Master Services Agreement between Rogers Business Solutions operated by Rogers Communications Partnership with PUSI dated June 9, 2014: • Items 10-20 of Purchase Order No BL – 63384 dated June 6, 2018	June 4, 2018
22.	Dundas Power Underground Rehab Work	June 14, 2018

SCHEDULE 2.1(A)(X) – INFORMATION SYSTEM ASSETS

"***Information System Assets***" *means those assets identified as such in Schedule 2.1(a)(x):*

<table>
<tr><td>1.</td><td>All information system assets located:

(j) in the control room of 1867 Ashburnham Drive, Peterborough, ON, K9L 1P8; and

(k) at all of the Corporation's Real Property sites listed in Schedule 2.2 and Schedule 3.1(i).</td></tr>
<tr><td>2.</td><td>Four (4) local printers located in the Engineering and Operations Department, specifically identified as follows:

<table>
<tr><th>Device ID</th><th>Description</th><th>Location</th></tr>
<tr><td>PCTL01</td><td>HP LaserJet P2015</td><td>Control Centre</td></tr>
<tr><td>PELE01</td><td>HP LaserJet 3015</td><td>Electric Department</td></tr>
<tr><td>PENG04</td><td>HP Colour LaserJet 5550DN</td><td>Engineering</td></tr>
<tr><td>P1STN01</td><td>LaserJet 400</td><td>MS1 / Alymer</td></tr>
</table>
</td></tr>
<tr><td>3.</td><td>IT workstations that are solely used in the Corporation's Engineering and Operations department to support the GIS function and IT server that are solely used to support the AMI and meter data collection as follows:

(a) AMI Productions Server, Cogeco Peer 1 in Barrie; and
(b) AMI Backup/Test Server, located at Olameter in Aurora.</td></tr>
<tr><td>4.</td><td>All advanced metering infrastructure (AMI) meter assets, related meter infrastructure, vendor software licences and services agreements used in the operation of the Vendor's AMI system.</td></tr>
<tr><td>5.</td><td>Client devices individually issued to and used by all Employees who are transferred to the Purchaser or its affiliate. Such devices are used in support of their job function, such as desktops, laptops, peripheral devices (monitors, mice, keyboards, desktop printers, docking stations and tablets).</td></tr>
<tr><td>6.</td><td>All information system assets hardware deployed at distribution stations or enabling SCADA monitoring, including security cameras and alarms or spill monitoring but excluding SCADA application server and physical SCADA fibre.</td></tr>
</table>

SCHEDULE 2.2 – EXCLUDED ASSETS

The following assets are not part of the Transactions, are excluded from Purchased Assets and remain the property of the current registered owner or are to be transferred to the City/NewCo:

Section 2.2(g) (*Collectively, the "**Excluded Properties**"*):

As to the Additional Rights to be granted by or on behalf of the Vendor to the Purchaser pursuant to Section 5.8 of the Agreement, the grant of such rights shall be limited to the areas of the applicable Excluded Properties identified in Schedule 5.8.

PART A: PROPERTIES TO BE TRANSFERRED TO/RETAINED BY THE CITY/PDI/NEWCO					
Excluded Properties		**Name of Registered Owner**	**PIN No.**	**Permitted Encumbrances**	**Additional Rights (Easement) or Lease to be granted to Purchaser**
1.	699 Ashburnham Drive / Corrigan Crescent & Otonabee Drive, Peterborough, ON K9L 1P7 [MS9]	Peterborough Distribution Inc.	PIN 28097-0279 (LT) – BLK B, PL 285, PETERBOROUGH CITY; PETERBOROUGH	• Bylaw No. R129315 registered on January 24, 1963 • Fence Encroachment Agreement No. R568584 registered on August 12, 1992 • Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Retained by PDI and Easement
2.	719 Erskine Avenue, Peterborough, ON K9J [MS10]	Peterborough Distribution Inc.	PIN 28057-0035 (LT) - PT LT 1, PL 212; PT 1, 45R6356, EXCEPT PT 2, 45R9380; PETERBOROUGH	• Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Retained by PDI and Easement
3.	1081 Lansdowne Street, Peterborough, ON K9J 5X9 [MS11]	Peterborough Distribution Inc.	PIN 28483-0004 (LT) - LT 27 PL 212 EXCEPT PTS 1, 2 45R734; PETERBOROUGH	• Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Retained by PDI and Easement

4.	543 Park Street North, Peterborough, ON K9H 4R6 [MS29]	Peterborough Distribution Inc.	PIN 28086-0111 (LT) - PT PK LT 16, IN LT 13 CON 13(NORTH MONAGHAN), AS IN R238464, S/T R238464, TOGETHER WITH A RIGHT OF WAY OVER PT OF PK LTS 16 & 17 IN TWP LOT 13, CON 13(NORTH MONAGHAN) AND PT OF LTS 44, 45 & ALL OF LT 46 PL 34(PETERBOROUGH), BEING PTS 3 & 4 PL 45R9234 AS IN LT92629 ; PETERBOROUGH	• Subject to a Right-of-Way as set out in Instrument No. R238464 • Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Transfer to City and Easement
5.	1562 Sherbrooke Street, Peterborough, ON K9J 6X4 [MS35]	Peterborough Distribution Inc.	PIN 28472-0759 (LT), PT LT 8 CON 13(N MONAGHAN), PT 1 PL 166850 ; PETERBOROUGH	• Notice of Lease LT65999 • Charge No. LT92632 registered on January 9, 2002 Transfer of Charge No. PE219038 registered on January 16, 2015	Transfer to City and Easement
6.	555 Parkhill Road West, Peterborough, ON K9H 3J4 [BS13]	Peterborough Distribution Inc.	PIN 28086-0109 (LT) - PT LT 20 IN TWP LT 13 CON 13(N MONAGHAN), PT 1 PL 45R12097 T/W AN EASE OVER PT LT 20 IN TWP LT 13 CON 13(N MONAGHAN) & PT PETERBORO CREEK PL 34(PETERBOROUGH) BEING PT 2 PL 45R9234 AS IN LT92629, T/W R578577; PETERBOROUGH	• Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Transfer to City and Easement

7.	1867 Ashburnham Drive, Peterborough, ON K9J 6Z5 [Operations Centre]	Peterborough Utilities Services Inc.	PIN 28140-0239 - PT LT 16-17 PL 7A PETERBOROUGH; PT LT 18-19 PL 20A PETERBOROUGH AS IN R685208 EXCEPT PT 3 45R8456; S/T R685208; S/T R158994; PETERBOROUGH	• Subject to a Right-of-Way as set out in Instrument No. R685208 • Subject to a Right-of-Way as set out in Instrument No. R158994 • Charge No. R685209 registered on January 9, 2002 • Transfer of Charge No. PE219039 registered on January 16, 2015	Lease
8.	1129 Armour Road, Peterborough, ON K9J 6Y1 [MS26]	The Corporation of the City of Peterborough	PIN 28464-0042 (LT) - PT MILL PROPERTY PL 12G DOURO AS IN G5952 (SECONDLY); PT LT 6 PL 12G DOURO AS IN G10125 & R478182; PT LT 5 PL 12G DOURO; PT BLK C PL 12G DOURO AS IN G10125, S/T G10125; S/T G7114,G7115,G8298,G8353, G9831 PETERBOROUGH CITY	• Transfer of Easement No. G7114 registered on February 17, 1921 • Transfer of Easement No. G7115 registered on February 18, 1921 • Transfer of Easement No. G8298 registered on January 23, 1937 • Transfer of Easement No. G8353 registered on November 13, 1937 • Transfer of Easement No. G9831 registered on April 3, 1951 • Right-of-Way contained in Instrument No. G10125 registered on January 1, 1953 • Bylaw No. R97873 registered on May 22, 1959 • Bylaw No. R163424 registered on September 1, 1966 • Bylaw No. R163426 registered on September 1, 1966	Retained by City and Easement
9.	23 Nicholls Street, Lakefield, ON [MS54]	Peterborough Distribution Inc.	1. PIN 28406-0135 (LT) - PT DIVISION ST PL 3, VILLAGE OF LAKEFIELD, CLOSED BY R621825, PTI-3, 45R9587; SMI-ENN-LAK]	1. Not Applicable	Retained by PDI and Easement

			2. PIN 28406-0134 (LT) - PT LT 2, 7 PL 3 VILLAGE OF LAKEFIELD SRO AS IN R166665; S/T R166665; S/T INTEREST IN R166665; S/T R166665E; SMI-ENN-LAK	2. Transfer of Easement R166665E registered December 16, 1966, being a Transfer/Deed of Land between The Corporation of the Village of Lakefield and The Corporation of the Village of Lakefield, in Trust Subject to a right contained in Instrument No. R166665 registered December 16, 1966, being a Transfer/Deed of Land between The Corporation of the Village of Lakefield and The Corporation of the Village of Lakefield, in Trust Subject to an interest contained in Instrument No. R166665 registered December 16, 1966, being a Transfer/Deed of Land between The Corporation of the Village of Lakefield and The Corporation of the Village of Lakefield, in Trust	
			3. PIN 28406-0136 (LT) - PT LT 1, 6 PL 3 VILLAGE OF LAKEFIELD; PT WILLIAM ST PL 3 VILLAGE OF LAKEFIELD CLOSED BY LK149, AS IN R134077 (SRO) EXCEPT R166665, PT 1 & 2 45R557, PT 1 45R808 & PT 6 & 7 45R1065; SMI-ENN-LAK	3. Transfer R134077 registered August 20, 1963 from Canadian National Railway Company to The Corporation of the Village of Lakefield	
10.	2245 Keene Road, PO Box 4125, Station Main, Peterborough, ON, K9J 6Z5	Peterborough Utilities Services Inc.	PIN 28158-0042 (LT) – PT LT 27 CON 11 OTONABEE, PTS 2 & 3 ON PLAN 45R11633; S/T EASE OVER PT3 ON PLAN 45R11633 IN FAVOUR OF PT 1 ON PLAN 45R11633 AS IN LT69302; PETERBOROUGH	• Subject to an easement as in Instrument No. LT69302 • Bylaw No. R129315 registered on January 24, 1963 • Bylaw No. R157513 registered on February 23, 1966 • Bylaw No. R207183 registered on May 15, 1970	Transfer to NewCo and No Easement/Lease

				• Charge No. LT69303 registered on October 26, 1999 • Transfer of Charge No. LT74095 registered on May 12, 2000 • Charge No. PE221692 registered on March 18, 2015	
11.	889 High Street, Peterborough, ON K9J 5R1	Peterborough Distribution Inc.	PIN 28070-0103 (LT) - PT LTS 11 & 12 PL 11QN MONAGHAN PT 1 & 4, 45R14796; SUBJECT TO AN EASEMENT AS IN R333952; CITY OF PETERBOROUGH	• Bylaw No. R163427 registered on September 1, 1966 • Transfer of Easement No. R333952 registered on July 18, 1978 • Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered as January 16, 2015	No Easement/Lease
12.	966 Crawford Drive, Peterborough, ON K9J 3X2	Peterborough Distribution Inc.	PIN 28056-0011 (LT) - PT LT 27 PL 34Q NORTH MONAGHAN, AS IN R177149; T/W R177149; PETERBOROUGH	• Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	No Easement/Lease
13.	550 Neal Drive, Peterborough, ON K9J 6X7	Peterborough Distribution Inc.	PIN 28142-0387 (LT) - PT LT 24 CON 13 OTONABEE, PT 1, 45R1987; PETERBOROUGH CITY	• Bylaw No. R129315 registered on January 24, 1963 • Bylaw No. R157513 registered on February 23, 1966 • Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	No Easement/Lease
14.	103 Bridge Street Lakefield, ON, K0L2H0	Peterborough Distribution Inc.	PIN 28407-0153 PT BLK Y PL 15 LAKEFIELD VILLAGE PT 1, 45R3187, S/T R349140; LAKEFIELD VILLAGE	• Subject to a Right-of-Way as set out in Instrument No. R349140 (does not contain a subject to)	No Easement/Lease

PART B: PROPERTIES TO BE RETAINED BY PDI/CITY WITH TEMPORARY EASEMENTS GRANTED					
Excluded Properties		**Name of Registered Owner**	**PIN No.**	**Permitted Encumbrances**	**Additional Rights (Easement) or Lease to be granted to Purchaser**
1.	235 Aylmer Street North, Peterborough, ON K9J 3K3 [MS1]	Peterborough Distribution Inc.	PIN 28102-0064 (LT) - PT LT 8 S OF SHERBROOKE ST AND W OF GEORGE ST PL 1 TOWN OF PETERBOROUGH; PT LT 9 S OF SHERBROOKE ST AND W OF GEORGE ST PL 1 TOWN OF PETERBOROUGH PT 1 45R4391 ; PETERBOROUGH CITY	• Site Plan Agreement No. R401778 registered on August 5, 1983 • Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Easement
2.	492 Romaine Street, Peterborough, ON K9J 2C7 [MS2]	Peterborough Distribution Inc.	PIN 28080-0267 (LT) - LT 4 PT LTS 1,2,3 & 5, PL 96, PETERBOROUGH, PT 1 45R5909 TOGETHER WITH AN EASE OVER PTS 7, 8, 9, 10 PL 45R5909 AS IN R457352 ; PETERBOROUGH	• Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Easement
3.	553 Armour Road, Peterborough, ON K9H 1Y8 [MS3]	Peterborough Distribution Inc.	PIN 28486-0203 (LT) - PT LT 14 PL 3A VILLAGE OF ASHBURNHAM AS IN M47438; PETERBOROUGH CITY	• Charge No. LT92632 registered on January 9, 2002 • Transfer of Charge No. PE219038 registered on January 16, 2015	Easement

4.	72 Simcoe Street, Peterborough, ON K9H 7G9 [MS8]	Peterborough Distribution Inc.	PIN 28137-0032 (LT) - PT LT 4 N OF SIMCOE ST & E OF WATER ST PL 1 TOWN OF PETERBOROUGH; PT LT 5 N OF SIMCOE ST & E OF WATER ST PL 1 TOWN OF PETERBOROUGH PT 2, 45R4557; PETERBOROUGH CITY	• ORDER IN COUNCIL NO. M27191 REGISTERED ON JUNE 17, 1929 • BYLAW NO. R156840 REGISTERED ON JANUARY 21, 1966 • CHARGE NO. LT92632 REGISTERED ON JANUARY 9, 2002 • TRANSFER OF CHARGE NO. PE219038 REGISTERED ON JANUARY 16, 2015	Easement
5.	1500 Water Street, Peterborough, ON K9J 6X6 [MS21]	The Corporation of the City of Peterborough	PIN 28464-0003 (LT) - PT LT 20 CON 3 SMITH AS IN T7388; PT LT 18 CON 2 SMITH AS IN T7448 (FIRSTLY & SECONDLY); PT RDAL BTN LTS 18 & 19 CON 2 SMITH AS CLOSED BY T162 AS IN T9244; PT LT 19 CON 2 SMITH AS IN T9244; PT LT 19 CON 3 SMITH PT 1 45R7929; PT RDAL BTN CON 2 & 3 SMITH LYING BTN WATER ST & OTONABEE RIVER; PETERBOROUGH CITY	• BYLAW NO. R163424 REGISTERED ON SEPTEMBER 1, 1966 • BYLAW NO. R164048 REGISTERED ON SEPTEMBER 21, 1966 • BYLAW NO. R397488 REGISTERED ON MAY 10, 1983	Easement

Section 2.2(h) the assets listed in Schedule 2.2:

	TITLE OF CONTRACT AND PARTIES	DATE
1.	All assets owned by PUSI immediately prior to the Amalgamation except for: the Fleet; the Assigned Contracts that are in the name of PUSI and not PDI; and any of the assets that are specifically enumerated in the items (i)-(xv) in Section 2.1(a) that are owned by PUSI.	N/A
2.	All "**Excluded Information System Assets**" which shall include: • Any and all information system assets that are owned or used by PUSI or NewCo as of the Effective Date that are not included in the Information System Assets set out in Schedule 2.1(a)(x), including but not limited to: o all PUSI-owned core IT infrastructure assets, such as shared servers (physical and virtual), storage, backup, disaster recovery, network, network security, cabling and phone system. This includes assets used to provide hosting and storage services to any PDI application, including GIS/Intergraph; o data communication assets, such as network and network security, remote access, VPN or similar connectivity and telephony; o call centre IT support assets, such as CAD, Insight, Wall board, Cash call, IVR and similar assets and company phone system assets; o printers (save for specific printers itemized in the Information System Assets), whether leased or owned by PUSI, including the GIS plotter; and o software operating system licenses or software application licenses.	N/A
3.	N. Harris Computer Corporation Assumption Agreement - SFG Software Licence and Support Agreement with PUSI	July 28, 2015

4.	Rogers Master Services Agreement between Rogers Business Solutions operated by Rogers Communications Partnership with PUSI dated June 9, 2014 except for line items 13-23 of Purchase Order No. BL – 63011 dated May 16, 2017	June 9, 2014
5.	Roger's Fibre Agreement September 6, 2014 for SCADA	September 6, 2014
6.	Safety – Confined Space Training Trailer	N/A
7.	Two Forklifts located at 1867 Ashburnham Drive:	N/A
	(a) Unit # 91 - 1995 Nissan enclosed heated cab style lift truck, 8000 lb lifting capacity, on slab, solid rubber tire, propane powered, s/n BF03-001432	
	(b) Unit# 93 - 2010 Crown stand up counter balance 3 wheel style, 3200 lb lifting capacity, on slab, solid rubber tire, electric powered, s/n 1A362375	
8.	Air Compressor affixed to 1867 Ashburnham Drive	N/A
9.	H&M Landscaping Agreement for Snow Removal	January 11, 2015
10.	Suncor Vehicle Fuel Tank with Fuel	January 4, 2014
11.	TAS Page Communications Message Centre Answering Service	January 1, 2017
12.	Xerox Canada Photocopiers Lease	January 12, 2015
13.	Sentinel lights and rental lights	N/A

SCHEDULE 2.5 - PURCHASE PRICE ALLOCATION ILLUSTRATION AND PRINCIPLES

For Tax purposes, the Purchase Price for the Purchased Assets shall be allocated amongst the Purchased Assets, as illustrated in the schedule below, in amounts equal to the respective net book value of such assets as of the Closing Date, as set forth in the Closing Date Financial Statements, with any excess of the Purchase Price over such aggregate net book value to be allocated to goodwill.

The Parties agree that such allocation is reflective of the relative fair market value of the Purchased Assets.

An illustration of the foregoing methodology using values as at December 31, 2015 is set forth in Part I below:

Purchase Price Allocation:

PART I

Acquisition of PDI Assets — Allocation of Purchase Price and Goodwill Calculation using Values as at December 31, 2015
(per December 31, 2015 Audited Financial Statements)
($s in thousands)

Cash purchase price		105,000
Add: assumed liabilities		
Accounts payable and accrued liabilities assumed (Note 1)		8,000
customer deposits assumed		2,317
Add: 2.3 Funding of Outstanding Amounts		10,523
Excludes duplicate amount as per 2.5 included in the above		(8,000)
Total Purchase Price (Note 2)		**117,840**
Current Assets		
Accounts receivable	6,652	
Unbilled revenue on customer accounts	10,730	
Income taxes recoverable	-	
Inventories	1,125	
Prepaid expenses	83	
Total Current Assets	**18,590**	
Other Assets		
Property, plant and equipment, net of deferred contributions (“PP&E”)	60,525	
Deferred tax assets		

Net regulatory assets Fleet	885[1]	
Total Other Assets	**61,410**	
Total Assets	**80,000**	**80,000**
Goodwill		**37,840**

[1] Note: Based on December 31, 2014 values

Note 1: This illustration assumes no change in the 2015 FS and that $8M of closing accounts payable & accrued liabilities represents the amount defined as "Assumed Liabilities" other than customer deposits.

Note 2: As contemplated in APA Section 2.5, the illustrated Purchase Price will be subject adjustment in accordance with APA Section 2.7

PART II

Allocation of Purchase Price to Property, Plant and Equipment as at December 31, 2015

($s in thousands)

	Net Book Value			
Description	**Capital Asset**	**Contributed Capital**	**Total**	**Tax Class**
Land	134,968	-	134,968	
Building	694,513	-	694,513	1
Substation Equip	1,195,742	-	1,195,742	1
O/H Lines	11,462,560	(2,536,138)	8,926,422	1
U/G Lines	5,570,283	(1,453,401)	4,116,882	1
Transformers	3,469,102	(675,057)	2,794,045	1
	22,392,200	(4,644,596)	17,727,604	1
Water heater control & misc. equipment	235,680	-	235,680	8
Substation post 22/2/2005	2,039,064	-	2,039,064	47
Overhead lines post 22/2/2005	23,091,363	(4,729,123)	18,362,240	47
Underground lines post	10,571,691	(2,985,391)	7,586,300	47
22/2/2005	9,351,199	(1,819,662)	7,531,537	47
Transformers post 22/2/2005	4,391,465	(29,335)	4,362,130	47
Meters post 22/2/2005	117,818	(1,949)	115,869	47
SCADA				
	49,562,600	(9,565,460)	39,997,140	47

Computer equipment	88,165	-	88,165	50
	72,413,613	(14,230,056)	58,183,557	
WIP	2,341,829	-	2,341,829	_
Total	**74,755,442**	**(14,230,056)**	**60,525,386**	

Note 1: The Fleet assets owned by PUSI will be added to this Schedule 2.5 at Part II, and such amount (calculated as at December 31, 2014 in the amount of $885,000) will be assigned as applicable to either Tax Class 10 and Tax Class 16.

SCHEDULE 2.7(C) – PURCHASE PRICE ADJUSTMENT

See attached.

Illustrative Purchase Price Adjustment

DRAFT July 26, 2018

(Note: Audited Financials as of December 31, 2015 for Peterborough Distribution Inc.)

Purchase Price Adjustment

	PDI 2015A F/S 12/31/2015	Illustrative Closing Date Transfer Values	Illustrative Purchase Price Adjustment
Working Capital Calculation	$5,300,000	$6,300,000	$1,000,000
NFA Calculation (1.1x NFA Index Multiplier)	$61,410,000	$63,410,000	$2,200,000
Regulatory Accounts Calculation	$4,095,000	$3,595,000	($500,000)
			$2,700,000

Supporting Calculations

	PDI 2015A F/S 12/31/2015	Illustrative Closing Date Transfer Values	Illustrative Purchase Price Adjustment
Working Capital Calculation - APA Definition			
Cash	n/a	n/a	
Accounts receivable	$6,652,000	$6,652,000	
Unbilled revenue on customer accounts	$10,730,000	$11,730,000	
Income taxes recoverable	n/a	n/a	
Inventories	$1,125,000	$1,125,000	
Prepaid expense	$83,000	$83,000	
Other Current Assets	$0	$0	
Current Assets	$18,590,000	$19,590,000	
Accounts payable and accrued liabilities [2]	$10,523,000	$10,973,000	
Income taxes payable	n/a	n/a	
Customer deposits refundable within one year	$1,080,000	$1,080,000	
Current portion of long term debt	n/a	n/a	
Other Current Liabilities	$0	$0	
Customer deposits	$1,237,000	$1,237,000	
Current Liabilities	$12,840,000	$13,290,000	
Initial Working Capital	$5,750,000		
Less: Closing Date employee liabilities [3]	($450,000)		
	$5,300,000	**$6,300,000**	**$1,000,000**
NFA Calculation - APA Definition			
Property, plant and equipment [4]	$74,755,000	$77,640,000	
Less: Deferred contributions	($14,230,000)	($14,230,000)	
Add the PUSI Fleet component of Initial NFA [5]	$885,000		
NFA	**$61,410,000**	**$63,410,000**	$2,000,000
NFA Index			**1.1x**
			$2,200,000
Regulatory Accounts Calculation - APA Definition			
Regulatory assets	$4,212,000	$3,712,000	
Less: regulatory liabilities	($117,000)	($117,000)	
Net Regulatory Accounts	**$4,095,000**	**$3,595,000**	**($500,000)**
Other Excluded Liabilities			
Derivative financial instruments	n/a	n/a	
Long-term debt	n/a	n/a	
Due to related parties	n/a	n/a	

Note 1: n/a denotes a category of asset, liability or debt that is not expected to transfer to the purchaser per the APA terms and is therefore excluded from the purchase price adjustment calculation illustration.
Note 2: PUSI employee liabilities not in PDI 2015 f/s. Closing date transfer values for accounts payable and accrued liabilities are expected to include employee liabilities.
Note 3: Employee Liabilities recorded on the Closing Date Financial Statements. Capped at a maximum amount of $450,000.
Note 4: Closing date transfer values for property, plant and equipment are expected to include Fleet.
Note 5: Amount representing PUSI Fleet not in PDI 2015 f/s.

Illustrative Purchase Price Adjustment

DRAFT July 26, 2018

(Note: Audited Financials as of December 31, 2015 for Peterborough Distribution Inc.)

Purchase Price Adjustment

	PDI 2015A F/S 12/31/2015	Illustrative Closing Date Transfer Values	Illustrative Purchase Price Adjustment
Working Capital Calculation	$5,300,000	$4,300,000	($1,000,000)
NFA Calculation (1.1x NFA Index Multiplier)	$61,410,000	$59,410,000	($2,200,000)
Regulatory Accounts Calculation	$4,095,000	$4,595,000	$500,000
			($2,700,000)

Supporting Calculations

	PDI 2015A F/S 12/31/2015	Illustrative Closing Date Transfer Values	Illustrative Purchase Price Adjustment
Working Capital Calculation - APA Definition			
Cash	n/a	n/a	
Accounts receivable	$6,652,000	$6,652,000	
Unbilled revenue on customer accounts	$10,730,000	$9,730,000	
Income taxes recoverable	n/a	n/a	
Inventories	$1,125,000	$1,125,000	
Prepaid expense	$83,000	$83,000	
Other Current Assets	$0	$0	
Current Assets	$18,590,000	$17,590,000	
Accounts payable and accrued liabilities [2]	$10,523,000	$10,973,000	
Income taxes payable	n/a	n/a	
Customer deposits refundable within one year	$1,080,000	$1,080,000	
Current portion of long term debt	n/a	n/a	
Other Current Liabilities	$0	$0	
Customer deposits	$1,237,000	$1,237,000	
Current Liabilities	$12,840,000	$13,290,000	
Initial Working Capital	$5,750,000		
Less: Closing Date employee liabilities [3]	($450,000)		
	$5,300,000	**$4,300,000**	**($1,000,000)**
NFA Calculation - APA Definition			
Property, plant and equipment [4]	$74,755,000	$73,640,000	
Less: Deferred contributions	($14,230,000)	($14,230,000)	
Add the PUSI Fleet component of Initial NFA [5]	$885,000		
NFA	**$61,410,000**	**$59,410,000**	($2,000,000)
NFA Index			**1.1x**
			($2,200,000)
Regulatory Accounts Calculation - APA Definition			
Regulatory assets	$4,212,000	$4,712,000	
Less: regulatory liabilities	($117,000)	($117,000)	
Net Regulatory Accounts	**$4,095,000**	**$4,595,000**	**$500,000**
Other Excluded Liabilities			
Derivative financial instruments	n/a	n/a	
Long-term debt	n/a	n/a	
Due to related parties	n/a	n/a	

Note 1: n/a denotes a category of asset, liability or debt that is not expected to transfer to the purchaser per the APA terms and is therefore excluded from the purchase price adjustment calculation illustration.
Note 2: PUSI employee liabilities not in PDI 2015 f/s. Closing date transfer values for accounts payable and accrued liabilities are expected to include employee liabilities.
Note 3: Employee Liabilities recorded on the Closing Date Financial Statements. Capped at a maximum amount of $450,000.
Note 4: Closing date transfer values for property, plant and equipment are expected to include Fleet.
Note 5: Amount representing PUSI Fleet not in PDI 2015 f/s.

SCHEDULE 3.1(I) – REAL PROPERTY

	Address	Name of Registered Owner	PIN No.
Real Property			
1.	1481 Lansdowne Street West	Peterborough Distribution Inc.	PIN 28054-0213 (LT) - PT LT 8, CON 11, PART 1, 45R6860, NORTH MONAGHAN; S/T R487277; PETERBOROUGH
2.	1170 High Street	Peterborough Distribution Inc.	PIN 28067-0194 (LT) - PT LT 12 CON 12 (N MONAGHAN), PTS 2,3,4 & 5 PL 45R12033 S/T AN EASE IN FAYOUR OF PUBLIC UTILITIES COMMISSION OVER PTS 4 & 5 PL 45R12033 AS IN LT92625; PETERBOROUGH
3.	963 Parkhill Road West	Peterborough Distribution Inc.	PIN 28476-0100 (LT) - PT LT IO CON 13 (NORTH MONAGHAN), BEING PT 2 PL 45R6165, EXCEPT PTS 7 & 8 PL 45R l5434; CITY OF PETERBOROUGH
4.	300 Bellevue Street	Peterborough Distribution Inc.	PIN 28119-0115 (LT) - PT BLK Z PL 24T SMITH AS IN T 18208 EXCEPT PL 218; S/T EASEMENT OVER PT 1 45R14347 IN FAVOUR OF PT BLK Z PL 24T SMITH AS IN R361279 AS IN PE76327
5.	170 Langton Street (also known as 174 Langton Street)	Peterborough Distribution Inc.	PIN 28122-0260 (LT) - LT 19 PL 205(PETERBOROUGH), S/T R72988 AS EXTENDED BY R619080 ; PETERBOROUGH
6.	1369 Hillard Street (MS-65)	Peterborough Distribution Inc.	PIN 28413-0473 (LT) – PT LT 4 EAST OF COMMUNICATION ROAD (SMITH), BEING PT 1 PL 45R15654; PETERBOROUGH

Leased Property
1. Nil.
Easements
1. See attached chart.

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
1928-1952		LAND ASSEMBLY				PUC		PT LT 2,3,4 CON WCR TOWNSHIP SMITH	1558		L17-1558	Electric	NO	UNREGISTERED
01/01/1932		O'HEARN MARY ANN				PUC		PT LT 1 CONC 12 DOURO	4553		L17-4553	Electric		UNREGISTERED
20/04/1937		HIGH/DIXON	ST			PUC		PT LT 24,25,26,47,48 & 49 PL 17T	1553		L17-1553	Electric	NO	UNREGISTERED
01/01/1937		CNR ROW EAST CITY				PUC		PT LT 4 CONC 12 Douro	1459		L17-EL-1459	Electric	NO	UNREGISTERED
30/04/1947	161	CARNEGIE	AVE		284110352	PUC		PT LT 19 CON 2 & 3 (SMITH) PART 1, PLAN 45R 12416 AS IN LT101490	22753	050140373000000	L17-56701	Electric	NO	UNREGISTERED
13/06/1951	717	BRUNSWICK	AVE	M57220	280680016	PUC	BELL	LT 42 PL 188 ; S/T M57220 PETERBOROUGH	8143	020050113000000	L17 BR 29552	Electric		REGISTERED
	721				280680015			LT 41 PL 188 ; S/T M57220 PETERBOROUGH	9000	020050114000000		Electric		REGISTERED
	725				280680014			LT 40 PL 188 ; S/T M57220 PETERBOROUGH	8999	020050115000000		Electric		REGISTERED
	731				280680013			LT 39 PL 188 ; S/T M57220 PETERBOROUGH	8998	020050116000000		Electric		REGISTERED
	737				280680012			LT 38 PL 188 ; S/T M57220 PETERBOROUGH	9002	020050117000000		Electric		REGISTERED
	741				280680011			LT 37 PL 188 ; S/T M57220 PETERBOROUGH	9935	020050118000000		Electric		REGISTERED
	749				280680204			PT LT 27 & PT BRUNSWICK AV, PL 188 DESIGNATED AS PTS 2 & 3, 45R13515 ; S/T M57220 ; PETERBOROUGH	47780	020050119000000		Electric		REGISTERED
	753				280680010			LT 26 PL 188 ; S/T M57220 PETERBOROUGH	19249	020050120000000		Electric		REGISTERED
	753				280680201			PT LT 27, PL 188 DESIGNATED AS PT 1, 45R13515 ; S/T M57220 ; PETERBOROUGH	19249	020050120000000		Electric		REGISTERED
	757				280680009			LT 25 PL 188 ; S/T M57220 PETERBOROUGH	6975	020050121000000		Electric		REGISTERED
	760				280660087			LT 18 PL 188 ; S/T M57220 PETERBOROUGH	10956	020050128000000		Electric	N/A	REGISTERED
	763				280680008			LT 24 PL 188 ; S/T M57220 PETERBOROUGH	7749	020050122000000		Electric		REGISTERED
	766				280660086			LT 17 PL 188 ; S/T M57220 PETERBOROUGH	10261	020050129000000		Electric		REGISTERED
	769				280680007			LT 23 PL 188 ; S/T M57220 PETERBOROUGH	7752	020050123000000		Electric		REGISTERED
	772				280660085			LT 16 PL 188 ; S/T M57220 PETERBOROUGH	10260	020050130000000		Electric		REGISTERED
	773				280680006			LT 22 PL 188 ; S/T M57220 PETERBOROUGH	7756	020050124000000		Electric		REGISTERED
	778				280660084			LT 15 PL 188 ; S/T M57220 PETERBOROUGH	10257	020050131000000		Electric		REGISTERED
	779				280680005			LT 21 PL 188 ; S/T M57220 PETERBOROUGH	7757	020050125000000		Electric		REGISTERED
	784				280660083			LT 14 PL 188 ; S/T M57220 PETERBOROUGH	10256	020050132000000		Electric		REGISTERED
	785				280680004			LT 20 PL 188 ; S/T M57220 PETERBOROUGH	7755	020050126000000		Electric		REGISTERED
	789				280680003			LT 19 PL 188 ; S/T M57220 PETERBOROUGH	8554	020050127000000		Electric		REGISTERED
	790				280660082			LT 13 PL 188 ; S/T M57220 PETERBOROUGH	11001	020050133000000		Electric		REGISTERED
13/06/1951	759	DEVON	AVE	M57220	280660076	PUC	BELL	LT 7 PL 188 ; S/T M57220 PETERBOROUGH	10975	020050134000000	L17 BR 29552	Electric		REGISTERED
	760				280660075			LT 6 PL 188 ; S/T M57220 PETERBOROUGH	10357	020050140000000		Electric		REGISTERED
	765				280660077			LT 8 PL 188 ; S/T M57220 PETERBOROUGH	10255	020050135000000		Electric		REGISTERED
	766				280660074			LT 5 PL 188 ; S/T M57220 PETERBOROUGH	9498	020050141000000		Electric		REGISTERED
	771				280660078			LT 9 PL 188 ; S/T M57220 ; PETERBOROUGH	10253	020050136000000		Electric		REGISTERED
	772				280660073			LT 4 PL 188 ; S/T M57220 PETERBOROUGH	9433	020050142000000		Electric		REGISTERED
	777				280660079			LT 10 PL 188(PETERBOROUGH) S/T M57220 ; PETERBOROUGH	10259	020050137000000		Electric	yes	REGISTERED
	778				280660072			LT 3 PL 188 ; S/T M57220 PETERBOROUGH	9381	020050143000000		Electric		REGISTERED
	783				280660080			LT 11 PL 188 ; S/T M57220 ; PETERBOROUGH	10258	020050138000000		Electric		REGISTERED
	784				280660071			LT 2 PL 188 ; S/T M57220 ; PETERBOROUGH	9316	020050144000000		Electric		REGISTERED
	789				280660081			LT 12 PL 188 ; S/T M57220 PETERBOROUGH	11004	020050139000000		Electric		REGISTERED
	790				280660070			LT 1 PL 188 ; S/T M57220 PETERBOROUGH	10027	020050145000000		Electric		REGISTERED
13/06/1951	748	FRANK	ST	M57220	280680026	PUC	BELL	LT 36 PL 188, S/T DEBTS IN R305011 ; S/T M57220 PETERBOROUGH	7642	020050104000000	L17 BR 29552	Electric		REGISTERED
	756				280680027			LT 35 PL 188 ; S/T M57220 PETERBOROUGH	6974	020050105000000		Electric		REGISTERED
	758				280680028			LT 34 PL 188 ; S/T M57220 PETERBOROUGH	6976	020050106000000		Electric		REGISTERED
	764				280680029			LT 33 PL 188 ; S/T M57220 PETERBOROUGH	7748	020050107000000		Electric		REGISTERED
	770				280680030			LT 32 PL 188 ; S/T M57220 PETERBOROUGH	7758	020050108000000		Electric		REGISTERED
	774				280680031			LT 31 PL 188 ; S/T M57220 PETERBOROUGH	7753	020050109000000		Electric	N/A	REGISTERED
	780				280680032			LT 30 PL 188 ; S/T M57220 ; PETERBOROUGH	7751	020050110000000		Electric		REGISTERED
	786				280680033			LT 29 PL 188 ; S/T M57220 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0394, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 95-0646, IF ENFORCEABLE. ;	7754	020050111000000		Electric		REGISTERED
	790				280680034			LT 28 PL 188 ; S/T M57220 PETERBOROUGH	8553	020050112000000		Electric		REGISTERED
13/06/1951	1092	HAYES	ST	M57220	280660088	PUC	BELL	LT 43 PL 188 ; S/T M57220 PETERBOROUGH	10633	020050146000000	L17 BR 29552	Electric		REGISTERED
	1098				280660089			LT 44 PL 188 ; S/T M57220 PETERBOROUGH	10909	020050147000000		Electric		REGISTERED
	1104				280660090			LT 45 PL 188 ; S/T M57220 PETERBOROUGH	10910	020050148000000		Electric	N/A	REGISTERED
	1110				280660091			LT 46 PL 188 ; S/T M57220 PETERBOROUGH	11096	020050149000000		Electric		REGISTERED
	1116				280660092			LT 47 PL 188 ; S/T M57220 PETERBOROUGH	11187	020050150000000		Electric		REGISTERED
13/06/1951	1091	HIGH	ST	M57220	280660107	PUC	BELL	LT 62 PL 188 ; S/T M57220 PETERBOROUGH	9735	020050176000000	L17 BR 29552	Electric		REGISTERED
	1097				280660106			LT 61 PL 188 ; S/T M57220 PETERBOROUGH	8297	020050177000000		Electric		REGISTERED
	1101				280660105			LT 60 PL 188 ; S/T M57220 PETERBOROUGH	8251	020050178000000		Electric	N/A	REGISTERED
	1107				280660104			PT LT 59 PL 188 AS IN R86011 ; S/T M57220 PETERBOROUGH	6075	020050179000000		Electric		REGISTERED
	1111				280660103			PT 58 PL 188; PT LT 59 PL 188 AS IN R119880 ; S/T M57220	9385	020050180000000		Electric		REGISTERED
13/06/1951	1091	HILLTOP	ST	M57220	280660097	PUC	BELL	LT 52 PL 188 ; S/T M57220 PETERBOROUGH	11055	020050157000000	L17 BR 29552	Electric		REGISTERED
	1092				280660102			LT 57 PL 188 ; S/T M57220 PETERBOROUGH	10839	020050152000000		Electric		REGISTERED
	1095				280660096			LT 51 PL 188 ; S/T M57220 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0276, IF ENFORCEABLE. ; SUBJECT TO EXECUTION	10829	020050158000000		Electric	N/A	REGISTERED
	1098				280660101			LT 56 PL 188 ; S/T M57220 PETERBOROUGH	10836	020050153000000		Electric		REGISTERED
	1103				280660095			LT 50 PL 188 ; S/T M57220 PETERBOROUGH	10830	020050159000000		Electric		REGISTERED
	1104				280660100			LT 55 PL 188 ; S/T M57220 PETERBOROUGH	10832	020050154000000		Electric		REGISTERED
	1109				280660094			LT 49 PL 188 ; S/T M57220 PETERBOROUGH	10831	020050160000000		Electric		REGISTERED
	1110				280660099			LT 54 PL 188 ; S/T M57220 PETERBOROUGH	10835	020050155000000		Electric		REGISTERED
	1115				280660093			LT 48 PL 188 ; S/T M57220 PETERBOROUGH	10875	020050161000000		Electric		REGISTERED
	1116				280660098			LT 53 PL 188 ; S/T M57220 PETERBOROUGH	10775	020050156000000		Electric		REGISTERED
31/03/1952	900	WATER	ST	M59210	284680065	PUC		LT 1 BLK C PL 14 TOWN OF PETERBOROUGH; LT 2 BLK C PL 14 TOWN OF PETERBOROUGH; LT 3 BLK C PL 14 TOWN OF PETERBOROUGH; PT LT 4 BLK C PL 14 TOWN OF PETERBOROUGH; PT LT 5 BLK C PL 14 TOWN OF PETERBOROUGH; PT LT 6 BLK C PL 14 TOWN OF PETERBOROUGH; PT LT 16 CON	23033	050110094000000	L17-6169 & L17-1575	Electric		REGISTERED
1928-1960		SHERBR/LANSD	ST			PUC		AREA BETWEEN SHERBROOKE AND LANSDOWNE, ERSKINE & BREALEY, KAWARTHA HEIGHTS -LTS 6,7,8,9,10,11 CONC 12 INCLUDING KAWARTHA HTS SUBDIVISION, HAVE 30 YEAR EXPIRY-LIKELY EXPIRED	1571		L17-1571	Electric	NO	UNREGISTERED
08/03/1954	1350	ARMSTRONG	DR	M64589	280640087	PUC	BELL	LT 58 PL 200 ; S/T M64589 PETERBOROUGH	11574	020100137000000	L17-23037 - this file is an electric easement	Electric		REGISTERED
	1354				280640086			LT 59 PL 200 ; S/T M64589 PETERBOROUGH	11573	020100138000000		Electric		REGISTERED
	1357				280610149			LT 55, PL 200 ; S/T M64589 PETERBOROUGH	13657	020100147000000		Electric		REGISTERED
	1358				280640085			LT 60 PL 200 ; S/T M64589 PETERBOROUGH	11568	020100139000000		Electric		REGISTERED
	1362				280640084			LT 61 PL 200 ; S/T M64589 PETERBOROUGH	13535	020100140000000		Electric		REGISTERED
	1369				280610148			LT 54, PL 200 ; S/T M64589 PETERBOROUGH	14142	020100148000000		Electric		REGISTERED
	1370				280640083			LT 62 PL 200 ; S/T M64589 PETERBOROUGH	12289	020100141000000		Electric		REGISTERED
	1373				280610147			LT 53, PL 200 ; S/T M64589 PETERBOROUGH	11565	020100149000000		Electric		REGISTERED
	1374				280640082			LT 63 PL 200 ; S/T M64589 ; PETERBOROUGH ; SUBJECT TO EXECUTION 96-0095, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 97-0278, IF ENFORCEABLE. ;	11630	020100142000000		Electric		REGISTERED
	1377				280610146			LT 52, PL 200 ; S/T M64589 PETERBOROUGH	11527	020100150000000		Electric		REGISTERED
	1378				280640081			LT 64 PL 200 S/T INTEREST IN R517609 ; S/T M64589 PETERBOROUGH	11560	020100143000000		Electric		REGISTERED
	1381				280610145			LT 51, PL 200 ; S/T M64589 PETERBOROUGH	11554	020100151000000		Electric		REGISTERED
	1382				280640080			LT 65 PL 200 ; S/T M64589 PETERBOROUGH	11624	020100144000000		Electric		REGISTERED
	1385				280610144			LT 50, PL 200 ; S/T M64589 PETERBOROUGH	11529	020100152000000		Electric		REGISTERED
	1386				280640079			LT 66 PL 200 ; S/T M64589 PETERBOROUGH	12102	020100145000000		Electric		REGISTERED
	1389				280610143			LT 49, PL 200 ; S/T M64589 ; PETERBOROUGH	11545	020100153000000		Electric		REGISTERED
	1390				280640078			LT 67 PL 200 ; S/T M64589 PETERBOROUGH	15189	020100146000000		Electric		REGISTERED
08/03/1954	1358	DOBBIN	AVE	M64589	280610136	PUC	BELL	LT 42, PL 200 ; S/T M64589 PETERBOROUGH	13313	020100131000000	L17-23037 - this file is an electric easement	Electric		REGISTERED
	1364				280610137			LT 43, PL 200 ; S/T M64589 PETERBOROUGH	11626	020100132000000		Electric		REGISTERED
	1370				280610138			LT 44, PL 200 ; S/T M64589 PETERBOROUGH	11643	020100133000000		Electric		REGISTERED
	1376				280610139			LT 45, PL 200 ; S/T M64589 PETERBOROUGH	11619	020100134000000		Electric		REGISTERED
	1382				280610140			LT 46, PL 200 ; S/T M64589 PETERBOROUGH	11578	020100135000000		Electric		REGISTERED
	1392				280610141			LT 47, PL 200 ; S/T M64589 PETERBOROUGH	15434	020100136000000		Electric		REGISTERED
	1401				280610127			LT 34, PL 200 ; S/T M64589 PETERBOROUGH	20318	020080048000000		Electric		REGISTERED
08/03/1954	663	GILMOUR	ST	M64589	280640044	PUC	BELL	LT 3 PL 200 ; S/T M64589 PETERBOROUGH	16109	020100070000000	L17-23037 - this file is an electric easement	Electric	yes	REGISTERED
08/03/1954	1324	GORDON	AVE	M64589	280640046	PUC	BELL	LT 1 PL 200 ; S/T M64589 PETERBOROUGH	16036	020100187000000	L17-23037 - this file is an electric easement	Electric		REGISTERED
	1328				280640045			LT 2 PL 200, S/T M64589 ; PETERBOROUGH	16181	020100188000000		Electric		REGISTERED
	1337				280640067			LT 78 PL 200 ; S/T M64589 PETERBOROUGH	13497	020100183000000		Electric		REGISTERED
	1346				280640043			LT 4 PL 200 ; S/T M64589 PETERBOROUGH	10992	020100189000000		Electric		REGISTERED
	1352				280640042			LT 5 PL 200 ; S/T M64589 PETERBOROUGH	11030	020100190000000		Electric		REGISTERED
	1358				280640041			LT 6 PL 200 ; S/T M64589 PETERBOROUGH	10851	020100191000000		Electric		REGISTERED
	1364				280640040			LT 7 PL 200 ; S/T M64589 PETERBOROUGH	12117	020100192000000		Electric		REGISTERED
	1373				280640035			LT 12 PL 200 S/T INTEREST IN R640869 ; S/T M64589 PETERBOROUGH	17087	020100184000000		Electric		REGISTERED
	1376				280640039			LT 8 PL 200 ; S/T M64589 PETERBOROUGH	10962	020100193000000		Electric		REGISTERED
	1379				280640036			LT 11 PL 200 ; S/T M64589 PETERBOROUGH	14191	020100185000000		Electric		REGISTERED
	1382				280640038			LT 9 PL 200 ; S/T M64589 PETERBOROUGH	11666	020100194000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
	1385				280640037			LT 10 PL 200 ; S/T M64589 PETERBOROUGH	17373	020100186000000		Electric		REGISTERED
	1343				280640068			LT 77 PL 200 ; S/T M64589 PETERBOROUGH	15471	020100173000000		Electric		REGISTERED
	1349				280640069			LT 76 PL 200 ; S/T M64589 PETERBOROUGH	11548	020100174000000		Electric		REGISTERED
	1355				280640070			LT 75 PL 200 ; S/T M64589 ; PETERBOROUGH	11603	020100175000000		Electric		REGISTERED
	1361				280640071			LT 74 PL 200 ; S/T M64589 PETERBOROUGH	11599	020100176000000		Electric		REGISTERED
	1370				280640033			LT 14 PL 200 ; S/T M64589 PETERBOROUGH	13942	020100169000000		Electric		REGISTERED
	1373				280640072			LT 73 PL 200 ; S/T M64589 PETERBOROUGH	11604	020100177000000		Electric		REGISTERED
08/03/1954	1376	HOLLOWAY	DR	M64589	280640032	PUC	BELL	LT 15 PL 200 ; S/T M64589 PETERBOROUGH	16613	020100170000000		Electric		REGISTERED
	1377				280640073			LT 72 PL 200 ; S/T M64589 PETERBOROUGH	12903	020100178000000		Electric		REGISTERED
	1381				280640074			LT 71 PL 200 ; S/T M64589 ; PETERBOROUGH	19150	020100179000000		Electric		REGISTERED
	1385				280640075			LT 70 PL 200 ; S/T M64589 PETERBOROUGH	14638	020100180000000	L17-23037	Electric		REGISTERED
	1386				280640031			LT 16 PL 200 ; S/T M64589 PETERBOROUGH	17725	020100171000000		Electric		REGISTERED
	1389				280640076			LT 69 PL 200 ; S/T M64589 PETERBOROUGH	14611	020100181000000		Electric		REGISTERED
	1390				280640030			LT 17 PL 200 ; S/T M64589 PETERBOROUGH	15913	020100172000000		Electric		REGISTERED
	86				280640088			LT 57 PL 200 ; S/T M64589 PETERBOROUGH	13389	020100129000000		Electric		REGISTERED
	92				280640056			LT 89 PL 200 ; S/T M64589 PETERBOROUGH	13397	020100128000000		Electric		REGISTERED
08/03/1954	104	HOSPITAL	DR	M64589	280640047	PUC	BELL	LT 98 PL 200 ; S/T M64589 PETERBOROUGH	10427	020100056000000		Electric		REGISTERED
	106				280640048			LT 97 PL 200 ; S/T M64589 PETERBOROUGH	12940	020100055000000		Electric		REGISTERED
	108				280640049			LT 96 PL 200 ; S/T M64589 ; PETERBOROUGH ; SUBJECT TO EXECUTION 92-1067, IF ENFORCEABLE. ;	10450	020100054000000		Electric		REGISTERED
	676				280640065			LT 80 PL 200 ; S/T M64589 PETERBOROUGH	13780	020100154000000		Electric		REGISTERED
	681				280640051			LT 94 PL 200 ; S/T M64589 ; PETERBOROUGH ;	9930	020100164000000		Electric		REGISTERED
	682				280640064			LT 81 PL 200 ; S/T M64589 PETERBOROUGH	15136	020100155000000		Electric		REGISTERED
	688				280640063			LT 82 PL 200 ; S/T M64589 PETERBOROUGH	17449	020100156000000		Electric		REGISTERED
	691				280640052			LT 93 PL 200 ; S/T M64589 PETERBOROUGH	12813	020100165000000		Electric		REGISTERED
	694				280640062			LT 83 PL 200 S/T INTEREST IN R623970 ; S/T M64589 PETERBOROUGH	19420	020100157000000		Electric		REGISTERED
08/03/1954	706	VICTORY	CRES	M64589	280640061	PUC	BELL	LT 84 PL 200 ; S/T M64589 PETERBOROUGH	15582	020100159000000	L17-23037	Electric		REGISTERED
	709				280640053			LT 92 PL 200 ; S/T M64589 PETERBOROUGH	13379	020100166000000		Electric		REGISTERED
	712				280640060			LT 85 PL 200 ; S/T M64589 PETERBOROUGH	11332	020100160000000		Electric		REGISTERED
	718				280640059			LT 86 PL 200 ; S/T M64589 PETERBOROUGH	11552	020100161000000		Electric		REGISTERED
	721				280640054			LT 91 PL 200 S/T DEBTS IN R333728 ; S/T M64589 PETERBOROUGH	9262	020100167000000		Electric		REGISTERED
	724				280640058			LT 87 PL 200 ; S/T M64589 PETERBOROUGH	11551	020100162000000		Electric		REGISTERED
	730				280640057			LT 88 PL 200 ; S/T M64589 PETERBOROUGH	11550	020100163000000		Electric		REGISTERED
	677				280640027			LT 20 PL 200 ; S/T M64589 PETERBOROUGH	15739	020100123000000		Electric		REGISTERED
	678				280640026			LT 21 PL 200 ; S/T M64589 PETERBOROUGH	15187	020110015000000		Electric		REGISTERED
	684				280640025			LT 22 PL 200, S/T SPOUSAL INTEREST IN R565121 ; S/T M64589 PETERBOROUGH	11681	020110016000000		Electric		REGISTERED
	685				280640028			LT 19 PL 200 ; S/T M64589 PETERBOROUGH	15671	020100124000000		Electric		REGISTERED
	690				280640024			LT 23 PL 200(PETERBOROUGH), S/T M64589 ; PETERBOROUGH	11680	020110017000000		Electric		REGISTERED
	693				280640029			LT 18 PL 200 ; S/T M64589 PETERBOROUGH	15672	020100125000000		Electric		REGISTERED
	696				280640023			LT 24 PL 200 ; S/T M64589 PETERBOROUGH	11682	020110018000000		Electric		REGISTERED
	702				280640022			LT 25 PL 200 ; S/T M64589 PETERBOROUGH	11345	020110019000000		Electric		REGISTERED
08/03/1954	708	WALKERFIELD	AVE	M64589	280640021	PUC	BELL	LT 26 PL 200, S/T INTEREST IN R613386 ; S/T M64589 PETERBOROUGH	11695	020110020000000	L17-23037	Electric		REGISTERED
	714				280640020			LT 27 PL 200 ; S/T M64589 PETERBOROUGH	11696	020110021000000		Electric		REGISTERED
	719				280640077			LT 68 PL 200 ; S/T M64589 PETERBOROUGH	11591	020100126000000		Electric		REGISTERED
	720				280640019			LT 28 PL 200 ; S/T M64589 PETERBOROUGH	11697	020110022000000		Electric		REGISTERED
	726				280640018			LT 29 PL 200 ; S/T M64589 PETERBOROUGH	14657	020110023000000		Electric		REGISTERED
	738				280610123			LT 30, PL 200 ; S/T M64589 PETERBOROUGH	13822	020080049000000		Electric		REGISTERED
	743				280610142			LT 48, PL 200 ; S/T M64589,M64621 PETERBOROUGH	16937	020100127000000		Electric		REGISTERED
	744				280610124			LT 31, PL 200 ; S/T M64589 PETERBOROUGH	11737	020080050000000		Electric		REGISTERED
	750				280610125			LT 32, PL 200 ; S/T M64589 PETERBOROUGH	14601	020080051000000		Electric		REGISTERED
	756				280610126			LT 33, PL 200 ; S/T M64589 PETERBOROUGH	20059	020080052000000		Electric		REGISTERED
	618				280740094			PT LTS 45 & 46, PL 197 AS IN R578974 ; S/T M65027 PETERBOROUGH	4107	010100189000000		Electric		REGISTERED
	622				280740093			PT LTS 44 & 45 PL 197, AS IN R458028 ; S/T M65027 PETERBOROUGH	4335	010100190000000		Electric		REGISTERED
	627				280740063			LT 1, PT LT 2, PL 197 AS IN M67130 ; S/T M65027 PETERBOROUGH	11934	010100176000000		Electric		REGISTERED
	628				280740092			LT 43 PL 197, PT LT 44 PL 197 AS IN R614475 ; S/T M65027	4723	010100191000000		Electric		REGISTERED
	631				280740064			PT LT 2 PL 197 AS IN R654517 ; S/T M65027 PETERBOROUGH	6870	010100177000000		Electric		REGISTERED
	632				280740091			LT 42 PL 197 ; S/T M65027 PETERBOROUGH	5373	010100192000000		Electric		REGISTERED
	635				280740065			LT 3 PL 197 ; S/T M65027 PETERBOROUGH	5693	010100178000000		Electric		REGISTERED
	636				280740090			PT LT 41 PL 197; PT LT 16 PL 20Q AS IN R340317 ; S/T M65027 PETERBOROUGH	4515	010100193000000		Electric		REGISTERED
	641				280740066			LT 4 PL 197; S/T LIFE INTEREST IN R380618 ; S/T M65027 ; PETERBOROUGH ; SUBJECT TO EXECUTION 94-1107, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 95-0558, IF	6162	010100179000000		Electric		REGISTERED
	642				280740089			PT LT 41 PL 197; PT LT 16, PL 20Q(NORTH MONAGHAN) AS IN R621699 , S/T M65027 ; PETERBOROUGH	12338	010100194000000		Electric		REGISTERED
	647				280740067			LT 5 PL 197 ; S/T M65027 PETERBOROUGH	6156	010100180000000		Electric		REGISTERED
	648				280740088			LT 40 PL 197, PT LT 39, PL 197 AS IN R637944; S/T M65027	10112	010100195000000		Electric		REGISTERED
	651				280740068			LT 6 PL 197 ; S/T M65027 PETERBOROUGH	6157	010100181000000		Electric		REGISTERED
	652				280740087			PT LT 39 PL 197 AS IN R657992 ; S/T M65027 PETERBOROUGH	6589	010100196000000		Electric		REGISTERED
	656				280740086			PT LT 38 PL 197, PT 4 45R2753A; PT LT 16, PL 20Q, PT 2 45R2753A ; S/T M65027 PETERBOROUGH	4847	010100196020000		Electric		REGISTERED
	657				280740069			LT 7 PL 197 ; S/T M65027 PETERBOROUGH	6159	010100182000000		Electric		REGISTERED
	661				280740070			LT 8 PL 197 ; S/T M65027 PETERBOROUGH	6154	010100183000000		Electric		REGISTERED
06/05/1954	662	BELLAIRE	ST	M65027	280740085	PUC	BELL	PT LT 38 PL 197, PT 3 45R2753A; PT LT 16 PL 20Q, PT 1 45R2753A ; S/T M65027 PETERBOROUGH	12343	010100197000000		Electric		REGISTERED
	667				280740071			LT 9 PL 197 ; S/T M65027 ; PETERBOROUGH	6158	010100184000000		Electric		REGISTERED
	668				280740084			LT 37 PL 197 ; S/T M65027 PETERBOROUGH	8632	010100198000000		Electric		REGISTERED
	672				280740083			LT 36 PL 197 ; S/T M65027 PETERBOROUGH	8636	010100199000000		Electric		REGISTERED
	673				280740072			LT 10 PL 197 ; S/T M65027 PETERBOROUGH	6160	010100185000000		Electric		REGISTERED
	676				280740082			LT 35 PL 197 ; S/T M65027 PETERBOROUGH	3912	010100200000000		Electric		REGISTERED
	679				280740073			PT LT 11 PL 197 AS IN R657921 ; S/T M65027 ; PETERBOROUGH	5317	010100186000000		Electric		REGISTERED
	680				280740081			LT 34 PL 197 ; S/T M65027 ; PETERBOROUGH ;	3914	010100201000000		Electric		REGISTERED
	683				280740074			LT 12 PL 197; PT LT 11 PL 197 AS IN R555676 ; S/T M65027	5325	010100187000000		Electric		REGISTERED
	684				280740080			LT 33 PL 197 ; S/T M65027 PETERBOROUGH	3915	010100202000000		Electric		REGISTERED
	695				280730074			LT 14 PL 197 ; S/T M65027 PETERBOROUGH	6155	010110014000000		Electric		REGISTERED
	699				280730075			LT 15 PL 197 ; S/T M65027 PETERBOROUGH	6860	010110015000000		Electric		REGISTERED
	700				280730087			LT 26 PL 197 ; S/T M65027 PETERBOROUGH	8633	010110008000000		Electric		REGISTERED
	705				280730076			LT 16 PL 197 ; S/T M65027 PETERBOROUGH	6863	010110016000000		Electric		REGISTERED
	706				280730086			LT 25 PL 197 ; S/T M65027 PETERBOROUGH	8637	010110009000000		Electric		REGISTERED
	710				280730085			LT 24 PL 197 ; S/T M65027 PETERBOROUGH	8631	010110010000000		Electric		REGISTERED
	711				280730077			LT 17 PL 197 ; S/T M65027 PETERBOROUGH	6861	010110017000000		Electric		REGISTERED
	714				280730084			LT 23 PL 197 ; S/T M65027 PETERBOROUGH	8634	010110011000000		Electric		REGISTERED
	715				280730078			LT 18 PL 197 ; S/T M65027 PETERBOROUGH	6862	010110018000000		Electric		REGISTERED
	720				280730083			LT 22 PL 197 ; S/T M65027 PETERBOROUGH	8635	010110012000000		Electric		REGISTERED
	721				280730079			LT 19 PL 197 ; S/T M65027 PETERBOROUGH	6006	010110019000000		Electric		REGISTERED
	726				280730082			LT 21 PL 197 ; S/T M65027 PETERBOROUGH	8557	010110013000000		Electric		REGISTERED
	727				280730080			LT 20 PL 197 ; S/T M65027 PETERBOROUGH	5198	010110020000000		Electric		REGISTERED
	555				280730088			LT 27 PL 197 ; S/T M65027 PETERBOROUGH	8638	010110006000000		Electric		REGISTERED
	562				280740079			LT 32 PL 197 ; S/T M65027 PETERBOROUGH	11166	010100019000000		Electric		REGISTERED
06/05/1954	566	SHIRLEY	AVE	M65027	280740078	PUC	BELL	LT 31 PL 197 ; S/T M65027 PETERBOROUGH	11165	010100020000000		Electric		REGISTERED
	570				280740077			LT 30 PL 197 ; S/T M65027 PETERBOROUGH	6134	010100021000000		Electric		REGISTERED
	574				280740076			LT 29 PL 197 ; S/T M65027 ; PETERBOROUGH	6198	010100022000000		Electric		REGISTERED
	1434				280620255			LT 228 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17675	020120091000000		Electric		REGISTERED
	1443				280620240			LT 214 PL 77Q(N MONAGHAN), S/T M66065 ; PETERBOROUGH	18049	020120104000000		Electric		REGISTERED
	1444				280620239			LT 213 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17050	020120092000000		Electric		REGISTERED
	1457				280620133			LT 80 & PT LT 81 PL 77Q N MONAGHAN AS IN R563276 ; S/T M66065 PETERBOROUGH	17604	020120105000000		Electric		REGISTERED
	1464				280620160			LT 107 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	18114	020120093000000		Electric		REGISTERED
	1467				280620134			PT LT 81 PL 77Q N MONAGHAN AS IN R397001 ; S/T M66065 PETERBOROUGH	20734	020120106000000		Electric		REGISTERED
	1470				280620161			LT 108 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	18862	020120094000000		Electric		REGISTERED
	1473				280620135			LT 82 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 92-1067, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 93-0850, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 94-0705, IF ENFORCEABLE. ;	14608	020120107000000		Electric		REGISTERED
13/09/1954	1476	FAIRMOUNT	BLVD	M66065	280620162	PUC	BELL	LT 109 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19440	020120095000000		Electric	yes	REGISTERED
	1477				280620136			LT 83 PL 77Q N MONAGHAN; S/T M66065 ; PETERBOROUGH	12749	020120108000000		Electric		REGISTERED
	1480				280620163			LT 110 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19936	020120096000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
	1483				280620137			LT 84 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12754	020120109000000		Electric		REGISTERED
	1486				280620164			LT 111 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19697	020120097000000		Electric		REGISTERED
	1487				280620138			LT 85 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12764	020120110000000		Electric		REGISTERED
	1492				280620165			LT 112 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	21059	020120098000000		Electric		REGISTERED
	1493				280620139			LT 86 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	12755	020120111000000		Electric		REGISTERED
	1497				280620140			LT 87 PL 77Q N MONAGHAN; S/T R427235 ; S/T M66065	12765	020120112000000		Electric		REGISTERED
	1498				280620166			LT 113 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19862	020120099000000		Electric		REGISTERED
	1502				280620167			LT 114 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19861	020120100000000		Electric		REGISTERED
	1503				280620141			LT 88 PL 77Q N MONAGHAN; T/W R595328; S/T INTEREST IN R595328 ; S/T M66065 PETERBOROUGH	16969	020120113000000		Electric		REGISTERED
	1508				280620168			LT 115 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19607	020120101000000		Electric		REGISTERED
	1515				280620082			LT 29 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	10537	020120114000000	See Also Pin 280620272	Electric		REGISTERED
	1451				280620158			LT 105 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	18326	020120079000000		Electric		REGISTERED
	1455				280620157			LT 104 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14647	020120080000000		Electric		REGISTERED
	1458				280620211			LT 159 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	18569	020120063000000		Electric		REGISTERED
	1459				280620156			LT 103 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0468, IF ENFORCEABLE. ;	15125	020120081000000		Electric		REGISTERED
	1460				280620210			LT 158 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13356	020120064000000		Electric		REGISTERED
	1464				280620209			LT 157 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0333, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 93-1281, IF ENFORCEABLE. ;	13351	020120065000000		Electric		REGISTERED
	1465				280620155			LT 102 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	15641	020120082000000		Electric		REGISTERED
	1468				280620208			LT 156 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13338	020120066000000		Electric		REGISTERED
	1469				280620154			LT 101 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16120	020120083000000		Electric		REGISTERED
	1473				280620153			LT 100 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16654	020120084000000		Electric		REGISTERED
	1474				280620207			LT 155 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13340	020120067000000		Electric		REGISTERED
	1478				280620206			LT 154 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13336	020120068000000		Electric		REGISTERED
	1479				280620152			LT 99 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17030	020120085000000		Electric		REGISTERED
	1482				280620205			LT 153 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13344	020120069000000		Electric		REGISTERED
13/09/1954	1483	GLENCAIRN	AVE	M66065	280620151	PUC	BELL	LT 98 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17364	020120086000000		Electric		REGISTERED
	1486				280620204			LT 152 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13339	020120070000000		Electric		REGISTERED
	1489				280620150			LT 97 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	18521	020120087000000		Electric		REGISTERED
	1494				280620203			LT 151 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13355	020120071000000		Electric		REGISTERED
	1495				280620149			LT 96 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19175	020120088000000		Electric		REGISTERED
	1498				280620202			LT 150 & PT LT 149 PL 77Q N MONAGHAN AS IN R113456 ; S/T M66065 PETERBOROUGH	16627	020120072000000		Electric		REGISTERED
	1499				280620148			LT 95 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	19459	020120089000000		Electric		REGISTERED
	1504				280620201			PT LTS 148 & 149 PL 77Q N MONAGHAN AS IN R210761 ; S/T M66065 PETERBOROUGH	17049	020120073000000		Electric		REGISTERED
	1510				280620200			PT LTS 147 & 148 PL 77Q N MONAGHAN AS IN R98971 ; S/T M66065 ; PETERBOROUGH ;	16628	020120074000000		Electric		REGISTERED
	1514				280620199			PT LTS 146 & 147 PL 77Q N MONAGHAN AS IN R86601 ; S/T M66065 PETERBOROUGH	17045	020120075000000		Electric		REGISTERED
	1520				280620198			LT 145 & PT LT 146 PL 77Q N MONAGHAN AS IN R602717 ; S/T M66065 PETERBOROUGH	16616	020120076000000		Electric		REGISTERED
	1524				280620197			LT 144 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13330	020120077000000		Electric		REGISTERED
	1530				280620196			LT 143 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13337	020120078000000		Electric		REGISTERED
	1533				280620176			LT 123 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0046, IF ENFORCEABLE. ;	17439	020120090000000		Electric		REGISTERED
	888				280620074			LT 21 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13722	020120189000000		Electric		REGISTERED
	894				280620073			LT 20 & PT LT 19 PL 77Q N MONAGHAN AS IN R351751 ; S/T M66065 PETERBOROUGH	14410	020120190000000		Electric		REGISTERED
	881				280620103			LT 50 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16966	020120179000000		Electric		REGISTERED
	884				280620075			LT 22 & PT LT 23 PL 77Q N MONAGHAN AS IN R196017 ; S/T M66065 PETERBOROUGH	14233	020120188000000		Electric		REGISTERED
	854				280620081			PT LT 28 PL 77Q N MONAGHAN AS IN R171890 ; S/T M66065 PETERBOROUGH	12871	020120182000000		Electric		REGISTERED
	860				280620080			LT 27 & PT LT 28 PL 77Q N MONAGHAN AS IN R612423 ; S/T M66065 PETERBOROUGH	14572	020120183000000		Electric		REGISTERED
	864				280620079			LT 26 & PT LT 25 PL 77Q N MONAGHAN AS IN R537035 ; S/T M66065 ; PETERBOROUGH	14571	020120184000000		Electric		REGISTERED
13/09/1954	870	KAWARTHA	DR	M66065	280620078	PUC	BELL	PT LT 25 PL 77Q N MONAGHAN AS IN R624005 ; S/T M66065 PETERBOROUGH	12872	020120185000000		Electric		REGISTERED
	873				280620122			LT 69 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	16967	020120178000000		Electric		REGISTERED
	874				280620077			PT LT 24 PL 77Q N MONAGHAN AS IN R611282 ; S/T M66065 PETERBOROUGH	12651	020120186000000		Electric		REGISTERED
	878				280620076			PT LTS 23 & 24 PL 77Q N MONAGHAN AS IN R450759 ; S/T M66065 PETERBOROUGH	14234	020120187000000		Electric		REGISTERED
	895				280620102			LT 49 PL 77Q N MONAGHAN; S/T M66065 ; PETERBOROUGH	16971	020120180000000		Electric		REGISTERED
	898				280620072			PT LT 19 PL 77Q N MONAGHAN AS IN R646724; S/T M66065 ; PETERBOROUGH	13040	020120191000000		Electric		REGISTERED
	903				280620083			LT 30 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16730	020120181000000		Electric		REGISTERED
	904				280620071			LT 18 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13723	020120192000000		Electric		REGISTERED
	908				280620070			LT 17 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	13304	020120193000000		Electric		REGISTERED
	809				280620233			LT 207 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12752	020120017000000		Electric		REGISTERED
	815				280620234			LT 208 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-1525, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 98-0519, IF ENFORCEABLE. ;	16840	020120018000000		Electric		REGISTERED
	819				280620235			LT 209 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	16836	020120019000000		Electric		REGISTERED
	823				280620236			LT 210 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16843	020120020000000		Electric		REGISTERED
	829				280620237			LT 211 PL 77Q(N MONAGHAN) S/T M66065; PETERBOROUGH	16835	020120021000000		Electric		REGISTERED
	833				280620238			LT 212 PL 77Q N MONAGH ; S/T M66065 PETERBOROUGH	16847	020120022000000		Electric		REGISTERED
	834				280620159			LT 106 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16872	020120032000000		Electric		REGISTERED
	855				280620241			LT 215 PL 77Q N MONAGHAN; S/T INTEREST IN R636406 ; S/T M66065 PETERBOROUGH	13707	020120023000000		Electric		REGISTERED
	860				280620132			LT 79 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16980	020120033000000		Electric		REGISTERED
	861				280620242			LT 216 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13711	020120024000000		Electric		REGISTERED
	865				280620243			LT 217 PL 77Q N MONAGHAN; S/T M66065 ; PETERBOROUGH	13708	020120025000000		Electric		REGISTERED
13/09/1954	871	KENSINGTON	DR	M66065	280620244	PUC	BELL	LT 218 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17678	020120026000000		Electric		REGISTERED
	874				280620113			LT 60 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16964	020120034000000		Electric		REGISTERED
	877				280620245			PT LT 219 PL 77Q N MONAGHAN AS IN R588126 ; S/T M66065 PETERBOROUGH	16051	020120027000000		Electric		REGISTERED
	882				280620112			LT 59 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16963	020120035000000		Electric		REGISTERED
	883				280620246			PT LTS 219 & 220 PL 77Q N MONAGHAN AS IN R494403 ; S/T M66065 PETERBOROUGH	17535	020120028000000		Electric		REGISTERED
	887				280620247			PT LTS 220 & 221 PL 77Q N MONAGHAN AS IN R624862 ; S/T M66065 PETERBOROUGH	14408	020120029000000		Electric		REGISTERED
	893				280620248			PT LTS 221 & 222 PL 77Q N MONAGHAN AS IN R652708 ; S/T M66065 PETERBOROUGH	14731	020120030000000		Electric		REGISTERED
	896				280620093			LT 40 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16965	020120036000000		Electric		REGISTERED
	897				280620249			LT 223 & PT LT 222 PL 77Q N MONAGHAN AS IN R496503 ; S/T M66065 PETERBOROUGH	14406	020120031000000		Electric		REGISTERED
	904				280620092			LT 39 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16968	020120037000000		Electric		REGISTERED
	810				280620175			LT 122 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13189	020120200000000		Electric		REGISTERED
	813				280620147			LT 94 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17002	020120194000000		Electric		REGISTERED
	816				280620272			LT 121 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13767	020120201000000		Electric		REGISTERED
	819				280620146			LT 93 PL 77Q N MONAGHAN; S/T INTEREST IN R583148 ; S/T M66065 PETERBOROUGH	13785	020120195000000		Electric		REGISTERED
	820				280620173			LT 120 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13761	020120202000000		Electric		REGISTERED
13/09/1954	823	KILDARE	RD	M66065	280620145	PUC	BELL	LT 92 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13786	020120196000000		Electric		REGISTERED
	826				280620172			LT 119 PL 77Q N MONAGHAN; S/T M66065 ; PETERBOROUGH	13755	020120203000000		Electric		REGISTERED
	830				280620171			LT 118 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13762	020120204000000		Electric		REGISTERED
	833				280620143			LT 90 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13783	020120198000000		Electric		REGISTERED
	834				280620170			LT 117 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13753	020120205000000		Electric		REGISTERED
	837				280620142			LT 89 PL 77Q N MONAGHAN ; PETERBOROUGH	13782	020120199000000		Electric		REGISTERED
	838				280620169			LT 116 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13764	020120206000000		Electric		REGISTERED
	1463				280620094			LT 41 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16485	020120141000000		Electric		REGISTERED
	1464				280620111			LT 58 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16830	020120133000000		Electric		REGISTERED
	1469				280620095			LT 42 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	15776	020120142000000		Electric		REGISTERED
	1470				280620110			LT 57 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14419	020120134000000		Electric		REGISTERED
	1473				280620096			LT 43 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12767	020120143000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
13/09/1954	1474	MAYFAIR	AVE	M66065	280620109	PUC	BELL	LT 56 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12771	020120135000000		Electric		REGISTERED
	1477				280620097			LT 44 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12751	020120144000000		Electric		REGISTERED
	1478				280620108			LT 55 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12772	020120136000000		Electric		REGISTERED
	1482				280620107			LT 54 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12777	020120137000000		Electric		REGISTERED
	1483				280620098			LT 45 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12758	020120145000000		Electric		REGISTERED
	1488				280620106			LT 53 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12776	020120138000000		Electric		REGISTERED
	1489				280620099			LT 46 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12757	020120146000000		Electric		REGISTERED
	1493				280620100			LT 47 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12756	020120147000000		Electric		REGISTERED
	1494				280620105			LT 52 PL 77Q N MONAGHAN; S/T M66065 PETERBOROUGH	12770	020120139000000		Electric		REGISTERED
	1497				280620101			LT 48 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14423	020120148000000		Electric		REGISTERED
	1498				280620104			LT 51 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14427	020120140000000		Electric		REGISTERED
13/09/1954	784	NORWOOD	TERR	M66065	280620194	PUC	BELL	LT 141 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 92-0984, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 92-1137, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 93-0315, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 96-0677, IF ENFORCEABLE. ; SUBJECT	15548	020120214000000		Electric		REGISTERED
	792				280620192			LT 139 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	14740	020120216000000		Electric		REGISTERED
	795				280620195			LT 142 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14222	020120207000000		Electric		REGISTERED
	798				280620191			LT 138 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14739	020120217000000		Electric		REGISTERED
	804				280620190			LT 137 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14741	020120218000000		Electric		REGISTERED
	808				280620189			LT 136 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14732	020120219000000		Electric		REGISTERED
	813				280620178			PT LT 124 PL 77Q N MONAGHAN AS IN R364587 ; S/T M66065 PETERBOROUGH	12653	020120208000000		Electric		REGISTERED
	814				280620188			LT 135 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14736	020120220000000		Electric		REGISTERED
	818				280620187			LT 134 PL 77Q N MONAGHAN; S/T M66065;PETERBOROUGH	14737	020120221000000		Electric		REGISTERED
	819				280620177			LT 125 & PT LT 124 PL 77Q N MONAGHAN AS IN R391156 ; S/T M66065 PETERBOROUGH	14747	020120209000000		Electric		REGISTERED
	823				280620179			LT 126 & PT LT 127 PL 77Q N MONAGHAN AS IN R653595 ; S/T M66065 PETERBOROUGH	15426	020120210000000		Electric		REGISTERED
	824				280620186			LT 133 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14738	020120222000000		Electric		REGISTERED
	827				280620180			PT LT 127 PL 77Q N MONAGHAN AS IN R643202; S/T INTEREST IN R643202 ; S/T M66065 PETERBOROUGH	8896	020120211000000		Electric		REGISTERED
	828				280620185			LT 132 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14735	020120223000000		Electric		REGISTERED
	833				280620181			PT LTS 127 & 128 PL 77Q N MONAGHAN AS IN R315383 ; S/T M66065 PETERBOROUGH	13042	020120212000000		Electric		REGISTERED
	834				280620184			LT 131 & PT LT 130 PL 77Q N MONAGHAN AS IN R572690 ; S/T M66065 PETERBOROUGH	16860	020120224000000		Electric		REGISTERED
	837				280620182			LT 129 & PT LT 128 PL 77Q N MONAGHAN AS IN R81547 ; S/T M66065 PETERBOROUGH	16056	020120213000000		Electric		REGISTERED
	838				280620183			PT LT 130 PL 77Q N MONAGHAN AS IN R403011 ; S/T M66065 PETERBOROUGH	11871	020120225000000		Electric		REGISTERED
	788				280620193			LT 140 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14742	020120215000000		Electric		REGISTERED
13/09/1954	1443	SHERWOOD	CRES	M66065	280620054	PUC	BELL	LT 1 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	18879	020120161000000		Electric		REGISTERED
	1444				280620250			LT 224 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13798	020120151000000		Electric		REGISTERED
	1449				280620055			LT 2 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16862	020120162000000		Electric		REGISTERED
	1453				280620056			LT 3 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14074	020120163000000		Electric		REGISTERED
	1457				280620057			LT 4 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13595	020120164000000		Electric		REGISTERED
	1463				280620058			LT 5 PL 77Q N MONAGHAN; S/T INTEREST IN R533525 ; S/T M66065 PETERBOROUGH	13404	020120165000000		Electric		REGISTERED
	1464				280620091			LT 38 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17003	020120152000000		Electric		REGISTERED
	1467				280620059			LT 6 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13180	020120166000000		Electric		REGISTERED
	1470				280620090			LT 37 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	15775	020120153000000		Electric		REGISTERED
	1471				280620060			LT 7 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 92-1360, IF ENFORCEABLE. ;	13031	020120167000000		Electric		REGISTERED
	1474				280620089			LT 36 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12775	020120154000000		Electric		REGISTERED
	1477				280620061			LT 8 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12832	020120168000000		Electric		REGISTERED
	1480				280620088			LT 35 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12763	020120155000000		Electric		REGISTERED
	1481				280620062			LT 9 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12588	020120169000000		Electric		REGISTERED
	1484				280620087			LT 34 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12779	020120156000000		Electric		REGISTERED
	1485				280620063			LT 10 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12380	020120170000000		Electric		REGISTERED
	1488				280620086			LT 33 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12784	020120157000000		Electric		REGISTERED
	1491				280620064			LT 11 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12147	020120171000000		Electric		REGISTERED
	1494				280620085			LT 32 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 94-0368, IF ENFORCEABLE. ;	12778	020120158000000		Electric		REGISTERED
	1495				280620065			LT 12 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	11954	020120172000000		Electric		REGISTERED
	1500				280620084			LT 31 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14428	020120159000000		Electric		REGISTERED
	1501				280620066			LT 13 PL 77Q N MONAGHAN ; S/T M66065,R135926 PETERBOROUGH	11722	020120173000000		Electric		REGISTERED
	1507				280620067			LT 14 PL 77Q N MONAGHAN ; S/T M66065,R135925 PETERBOROUGH	14671	020120174000000		Electric		REGISTERED
	1511				280620068			LT 15 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13422	020120175000000		Electric		REGISTERED
	1517				280620069			LT 16 PL 77Q N MONAGHAN; S/T INTEREST IN R592978; S/T SPOUSAL INTEREST IN R590440 ; S/T M66065 PETERBOROUGH	15553	020120176000000		Electric		REGISTERED
13/09/1954	796	WELLER	ST	M66065	280630140	PUC	BELL	LT 203 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	15276	020110172000000		Electric		REGISTERED
	816				280620260			LT 233 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16841	020120001000000		Electric		REGISTERED
	820				280620259			LT 232 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16846	020120002000000		Electric		REGISTERED
	824				280620258			LT 231 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16844	020120003000000		Electric		REGISTERED
	830				280620257			LT 230 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16842	020120004000000		Electric		REGISTERED
	834				280620256			LT 229 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16849	020120005000000		Electric		REGISTERED
	872				280620254			PT LT 227 PL 77Q N MONAGHAN AS IN R638852 S/T M66065 ; PETERBOROUGH	18412	020120009000000		Electric		REGISTERED
	876				280620253			PT LTS 226 & 227 PL 77Q N MONAGHAN AS IN R236146 ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 94-0895, IF	18436	020120010000000		Electric		REGISTERED
	880				280620252			PT LTS 225 & 226 PL 77Q N MONAGHAN AS IN R163300 ; S/T M66065 PETERBOROUGH	18414	020120011000000		Electric		REGISTERED
	886				280620251			PT LT 225 PL 77Q N MONAGHAN & PT LT 10 PL 23Q N MONAGHAN AS IN R629861 ; S/T M66065 PETERBOROUGH	15400	020120012000000		Electric		REGISTERED
13/09/1954	1433	WESTBROOK	DR	M66065	280620230	PUC	BELL	LT 204 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 97-0293, IF ENFORCEABLE. ;	17421	020120038000000		Electric		REGISTERED
	1436				280630139			LT 202 PL 77Q (NORTH MONAGHAN) ; S/T M66065 ; PETERBOROUGH ; SUBJECT TO EXECUTION 97-0251, IF ENFORCEABLE. ;	14262	020110173000000		Electric		REGISTERED
	1437				280620231			LT 205 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12378	020120039000000		Electric		REGISTERED
	1442				280630138			LT 201 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14259	020110174000000		Electric		REGISTERED
	1443				280620232			LT 206 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	11086	020120040000000		Electric		REGISTERED
	1446				280630137			LT 200 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14265	020110175000000		Electric		REGISTERED
	1452				280630136			LT 199 PL 77Q (NORTH MONAGHAN) ; S/T M66065,M69842 PETERBOROUGH	14264	020110176000000		Electric		REGISTERED
	1455				280620212			LT 160 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14923	020120041000000		Electric		REGISTERED
	1456				280630135			LT 198 PL 77Q (NORTH MONAGHAN); S/T SPOUSAL INTEREST IN R604008 ; S/T M66065 PETERBOROUGH	14258	020110177000000		Electric		REGISTERED
	1459				280620213			LT 161 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13347	020120042000000		Electric		REGISTERED
	1462				280630134			LT 197 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14266	020110178000000		Electric		REGISTERED
	1465				280620214			LT 162 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13335	020120043000000		Electric		REGISTERED
	1466				280630133			LT 196 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14260	020110179000000		Electric		REGISTERED
	1469				280620215			LT 163 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13333	020120044000000		Electric		REGISTERED
	1472				280630132			LT 195 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14261	020110180000000		Electric		REGISTERED
	1475				280620216			LT 164 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13341	020120045000000		Electric		REGISTERED
	1476				280630131			LT 194 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14263	020110181000000		Electric		REGISTERED
	1479				280620217			LT 165 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13343	020120046000000		Electric		REGISTERED
	1480				280630130			LT 193 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14257	020110182000000		Electric		REGISTERED
	1483				280620218			LT 166 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13354	020120047000000		Electric		REGISTERED
	1484				280630129			LT 192 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	14267	020110183000000		Electric		REGISTERED
	1487				280620219			LT 167 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13353	020120048000000		Electric		REGISTERED
	1490				280630128			PT LT 191 PL 77Q (NORTH MONAGHAN), AS IN R639734 ; S/T M66065 PETERBOROUGH	13959	020110184000000		Electric		REGISTERED
	1494				280630127			PT LTS 190 & 191 PL 77Q (NORTH MONAGHAN), AS IN R420028 ; S/T M66065 PETERBOROUGH	13956	020110185000000		Electric		REGISTERED
	1495				280620220			LT 168 PL 77Q N MONAGHAN ; PETERBOROUGH	13357	020120049000000		Electric		REGISTERED
	1499				280620221			LT 169 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13350	020120050000000		Electric		REGISTERED
	1500				280630126			PT LTS 189 & 190 PL 77Q (NORTH MONAGHAN), AS IN R162552 ; S/T M66065 PETERBOROUGH	13958	020110186000000		Electric		REGISTERED
	1503				280620222			LT 170 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13349	020120051000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
	1504				280630125			PT LTS 188 & 189 PL 77Q (NORTH MONAGHAN), AS IN R77100 ; S/T M66065 PETERBOROUGH	13963	020110187000000		Electric		REGISTERED
	1509				280620223			LT 171 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13352	020120052000000		Electric		REGISTERED
	1510				280630124			PT LTS 187 & 188 PL 77Q (NORTH MONAGHAN), AS IN R549817 ; S/T M66065 PETERBOROUGH	13960	020110188000000		Electric		REGISTERED
	1513				280620224			LT 172 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	13346	020120053000000		Electric		REGISTERED
	1514				280630123			PT LTS 186 & 187 PL 77Q (NORTH MONAGHAN), AS IN R575670 (FIRSTLY) ; S/T M66065 PETERBOROUGH	13955	020110189000000		Electric		REGISTERED
	1517				280620225			LT 173 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13348	020120054000000		Electric		REGISTERED
	1518				280630122			PT LTS 185 & 186 PL 77Q (NORTH MONAGHAN), AS IN R599750 ; S/T M66065 PETERBOROUGH	13961	020110190000000		Electric		REGISTERED
	1521				280620226			LT 174 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13345	020120055000000		Electric		REGISTERED
	1524				280630121			PT LTS 184 & 185 PL 77Q (NORTH MONAGHAN), AS IN R288616 ; S/T M66065 PETERBOROUGH	13957	020110191000000		Electric		REGISTERED
	1527				280620227			LT 175 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13334	020120056000000		Electric		REGISTERED
	1528				280630120			PT LTS 183 & 184 PL 77Q (NORTH MONAGHAN), AS IN R606498 ; S/T M66065 PETERBOROUGH	13954	020110192000000		Electric		REGISTERED
	1530				280630119			PT LTS 182 & 183 PL 77Q (NORTH MONAGHAN), AS IN R78151 ; S/T M66065 PETERBOROUGH	13962	020110193000000		Electric		REGISTERED
	1531				280620228			LT 176 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13342	020120057000000		Electric		REGISTERED
	1535				280620229			LT 177 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	17838	020120058000000		Electric		REGISTERED
	1536				280630118			PT LTS 181 & 182 PL 77Q (NORTH MONAGHAN), AS IN R140752 ; S/T M66065 PETERBOROUGH	15732	020110194000000		Electric		REGISTERED
	1542				280630117			LT 180 PL 77Q (NORTH MONAGHAN); PT LT 181 PL 77Q (NORTH MONAGHAN), AS IN R618230 ; S/T M66065 PETERBOROUGH	15731	020110195000000		Electric		REGISTERED
	1546				280630116			LT 179 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	16900	020110196000000		Electric		REGISTERED
	1552				280630115			LT 178 PL 77Q (NORTH MONAGHAN) ; S/T M66065 PETERBOROUGH	16459	020110197000000		Electric		REGISTERED
13/09/1954	1463	WINDERMERE	AVE	M66065	280620114	PUC	BELL	LT 61 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	16315	020120125000000		Electric		REGISTERED
	1464				280620131			LT 78 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13073	020120116000000		Electric		REGISTERED
	1469				280620115			LT 62 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14420	020120126000000		Electric		REGISTERED
	1470				280620130			LT 77 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	13754	020120117000000		Electric		REGISTERED
	1473				280620116			LT 63 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12761	020120127000000		Electric		REGISTERED
	1474				280620129			LT 76 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	14961	020120118000000		Electric		REGISTERED
	1477				280620117			LT 64 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12759	020120128000000		Electric		REGISTERED
	1478				280620128			LT 75 PL 77Q N MONAGHAN ; S/T M66065 ; PETERBOROUGH	12780	020120119000000		Electric		REGISTERED
	1483				280620118			LT 65 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12760	020120129000000		Electric		REGISTERED
	1484				280620127			LT 74 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12785	020120120000000		Electric		REGISTERED
	1487				280620119			LT 66 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12768	020120130000000		Electric		REGISTERED
	1488				280620126			LT 73 PL 77Q N MONAGHAN; S/T INTEREST IN R645518 ; S/T M66065 PETERBOROUGH	12774	020120121000000		Electric		REGISTERED
	1491				280620120			LT 67 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12773	020120131000000		Electric		REGISTERED
	1492				280620125			LT 72 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12782	020120122000000		Electric		REGISTERED
	1497				280620121			LT 68 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	14426	020120132000000		Electric		REGISTERED
	1500				280620124			LT 71 PL 77Q N MONAGHAN ; S/T M66065 PETERBOROUGH	12769	020120123000000		Electric		REGISTERED
	1504				280620123			LT 70 PL 77Q N MONAGHAN; S/T LIFE INTEREST IN R571957; S/T INTEREST IN R571957 ; S/T M66065 PETERBOROUGH	16970	020120124000000		Electric		REGISTERED
01/01/1956		LAND ASSEMBLY				BELL		PL 205	35576		L17-35576 (BELL)	Electric		UNREGISTERED
01/01/1956		LAKEFIELD TYLERS				PUC		PT LT 19 CON 7 DOURO	39506		L17-39506	Electric		UNREGISTERED
27/02/1958	360	BELLEVUE	ST	R87704	281120054	PUC	BELL	LT 2 PL 213 ; S/T R87704 PETERBOROUGH	14036	050060051000000		Electric		REGISTERED
	364				281120056			LT 3 PL 213 ; S/T R87704 ; PETERBOROUGH	14033	050060052000000		Electric		REGISTERED
	368				281120058			LT 4 PL 213 ; S/T R87704 PETERBOROUGH	14038	050060053000000		Electric		REGISTERED
	372				281120060			LT 5 PL 213 ; S/T R87704 PETERBOROUGH	14032	050060054000000		Electric		REGISTERED
	376				281120062			LT 6 PL 213 ; S/T R87704 PETERBOROUGH	14037	050060055000000		Electric		REGISTERED
	386				281120031			LT 34 PL 213, ; S/T R87704 PETERBOROUGH	14138	050060057000000		Electric		REGISTERED
27/02/1958	339	DOMINION	CRES	R87704	281120051	PUC	BELL	LT 1 PL 213 ; S/T R87704 PETERBOROUGH	14034	050060058000000		Electric		REGISTERED
	342				281120050			LTS 15 & 16 PL 213 ; S/T R87704 PETERBOROUGH	20601	050060067000000		Electric		REGISTERED
	346				281120049			LT 17 PL 213 ; S/T R87704 PETERBOROUGH	10673	050060068000000		Electric		REGISTERED
	347				281120052			LT 14 PL 213 ; S/T R87704 ; PETERBOROUGH	13951	050060059000000		Electric		REGISTERED
	350				281120048			LT 18 PL 213 ; S/T R87704 PETERBOROUGH	12064	050060069000000		Electric		REGISTERED
	354				281120047			LT 19 PL 213 ; S/T R87704 PETERBOROUGH	16895	050060070000000		Electric		REGISTERED
	358				281120046			LT 20 PL 213 ; S/T R87704 PETERBOROUGH	18348	050060071000000		Electric		REGISTERED
	362				281120045			LT 21 PL 213 ; S/T INTEREST, IF ANY, IN R279196 ; S/T R87704 PETERBOROUGH	10991	050060072000000		Electric		REGISTERED
	366				281120044			LT 22 PL 213 ; S/T R87704 PETERBOROUGH	14706	050060073000000		Electric		REGISTERED
	369				281120053			LT 13 PL 213 ; S/T R87704 ; PETERBOROUGH	14198	050060060000000		Electric		REGISTERED
	370				281120043			LT 23 PL 213 ; S/T R87704 PETERBOROUGH	15872	050060074000000		Electric		REGISTERED
	372				281120042			LT 24 PL 213 ; S/T INTEREST, IF ANY, IN R630641 ; S/T R87704 PETERBOROUGH	15242	050060075000000		Electric		REGISTERED
	373				281120055			LT 12 PL 213 ; S/T R87704 PETERBOROUGH	14193	050060061000000		Electric		REGISTERED
	375				281120057			LT 11 PL 213 ; S/T R87704 PETERBOROUGH	14197	050060062000000		Electric		REGISTERED
	376				281120041			LT 25 PL 213 ; S/T R87704 PETERBOROUGH	15858	050060076000000		Electric		REGISTERED
	379				281120059			LT 10 PL 213 ; S/T R87704 PETERBOROUGH	14194	050060063000000		Electric		REGISTERED
	380				281120040			LT 26 PL 213 ; S/T R87704 PETERBOROUGH	15200	050060077000000		Electric		REGISTERED
	383				281120061			LT 9 PL 213 ; S/T R87704 PETERBOROUGH	14195	050060064000000		Electric		REGISTERED
	384				281120039			LT 27 PL 213 ; S/T R87704 PETERBOROUGH	15463	050060078000000		Electric		REGISTERED
	388				281120038			LT 28 PL 213 ; S/T R87704 PETERBOROUGH	15270	050060079000000		Electric		REGISTERED
	390				281120037			LT 29 PL 213 ; S/T R87704 PETERBOROUGH	13550	050060080000000		Electric		REGISTERED
	393				281120143			PT LT 30 PL 213, BEING PTS 3 & 5 PL 45R13773 ; S/T R87704 ; PETERBOROUGH	10179	050060081000000		Electric		REGISTERED
	397				281120034			LT 31 PL 213 ; S/T R87704 PETERBOROUGH	14168	050060082000000		Electric		REGISTERED
	398				281120063			LT 8 PL 213 ; S/T R87704 ; PETERBOROUGH	13966	050060065000000		Electric		REGISTERED
	401				281120033			LT 32 PL 213, S/T R87704 ; PETERBOROUGH	8208	050060083000000		Electric		REGISTERED
	405				281120032			LT 33 PL 213 ; S/T R87704 PETERBOROUGH	13656	050060084000000		Electric		REGISTERED
	408				281120064			LT 7 PL 213 ; S/T R87704 PETERBOROUGH	14035	050060065010000		Electric		REGISTERED
01/05/1958	667	BARBARA	CRES	R88967	280730052	PUC	BELL	LT 106 PL 220 ; S/T M63018,R88967 PETERBOROUGH	8747	010110039000000		Electric	yes	REGISTERED
	675				280730053			LT 107 PL 220 ; S/T M63018,R88967 PETERBOROUGH	8959	010110040000000		Electric		REGISTERED
	681				280730054			LT 108 PL 220; PT LT 109 PL 220 AS IN R510739 ; S/T M63018,R88967 PETERBOROUGH	9409	010110041000000		Electric		REGISTERED
	687				280730055			PT LT 109 PL 220 AS IN R556897 ; S/T M63018,R88967 ; PETERBOROUGH ; SUBJECT TO EXECUTION 90-0943, IF	6723	010110042000000		Electric		REGISTERED
	691				280730056			LT 110 PL 220, PT LT 109 PL 220 AS IN R202812 ; S/T M63018,R88967 PETERBOROUGH	9310	010110043000000		Electric		REGISTERED
	699				280730057			LT 111 PL 220 ; S/T M63018,R88967 PETERBOROUGH	7761	010110044000000		Electric		REGISTERED
	703				280730058			LT 112 PL 220 ; S/T M63018,R88967 PETERBOROUGH	7823	010110045000000		Electric		REGISTERED
	707				280730059			LT 113 PL 220; PT LT 114 PL 220 AS IN R235472 ; S/T M63018,R88967 PETERBOROUGH	10214	010110046000000		Electric		REGISTERED
	713				280730060			PT LT 114 PL 220 AS IN R200667 ; S/T M63018,R88967	7803	010110047000000		Electric		REGISTERED
	719				280730061			LT 115 PL 220 ; S/T M63018,R88967 PETERBOROUGH	10203	010110048000000		Electric		REGISTERED
	723				280730062			LT 116 PL 220 ; S/T M63018,R88967 PETERBOROUGH	7784	010110049000000		Electric		REGISTERED
	729				280730063			LT 117 PL 220 ; S/T M63018,R88967 PETERBOROUGH	7774	010110050000000		Electric		REGISTERED
	733				280730064			LT 118 PL 220 ; S/T M63018,R88967 PETERBOROUGH	10183	010110051000000		Electric		REGISTERED
	739				280730065			LT 119 PL 220 ; S/T M63018,R88967 PETERBOROUGH	10169	010110052000000		Electric		REGISTERED
	743				280730066			PT LT 120 PL 220 AS IN R606185 ; S/T M63018,R88967 ;	5478	010110053000000		Electric		REGISTERED
	749				280730067			LT 121 PL 220; PT LT 120 PL 220 AS IN R640178 ; S/T M63018,R88967 PETERBOROUGH	9797	010110054000000		Electric		REGISTERED
	753				280730068			LT 122 PL 220 ; S/T M63018,R88967 PETERBOROUGH	7722	010110055000000		Electric		REGISTERED
	761				280730069			LT 123 PL 220 ; S/T M63018,R88967 PETERBOROUGH	11880	010110056000000		Electric		REGISTERED
	770				280730037			LT 83 PL 220; S/T R88967, R97093 PETERBOROUGH	19355	010110034000000		Electric		REGISTERED
	773				280730036			LT 82 PL 220 ; S/T R88967 PETERBOROUGH	11768	010110035000000		Electric		REGISTERED
	777				280730035			LT 81 PL 220 ; S/T R88967 PETERBOROUGH	9501	010110036000000		Electric		REGISTERED
	781				280730034			LT 80 PL 220 ; S/T M63018,R88967 PETERBOROUGH	10007	010110037000000		Electric		REGISTERED
	785				280730033			LT 79 PL 220 ; S/T M63018,R88967 PETERBOROUGH	10036	010110038000000		Electric		REGISTERED
	664				280730003			LT 52 PL 211 ; S/T R88967 PETERBOROUGH	9713	010110057000000		Electric		REGISTERED
	668				280730004			LT 53 PL 211 ; S/T R88967 PETERBOROUGH	8213	010110058000000		Electric		REGISTERED
	676				280730005			LT 54 PL 211 ; S/T R88967 PETERBOROUGH	9020	010110059000000		Electric		REGISTERED
	682				280730006			LT 55 PL 211 ; S/T R88967 PETERBOROUGH	7282	010110060000000		Electric		REGISTERED
	686				280730007			LT 56 PL 211 ; S/T R88967 PETERBOROUGH	7291	010110061000000		Electric		REGISTERED
	692				280730008			LT 57 PL 211 ; S/T R88967 PETERBOROUGH	9964	010110062000000		Electric		REGISTERED
	696				280730009			LT 58 PL 211 ; S/T R88967 PETERBOROUGH	9951	010110063000000		Electric		REGISTERED
	702				280730010			PT LT 59 PL 211 AS IN R194627 ; S/T R88967 PETERBOROUGH	8779	010110064000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
01/05/1958	708	CRAWFORD	DR	R88967	280730011	PUC	BELL	LT 60 PL 211; PT LT 59 PL 211 AS IN R187641 ; S/T R88967	8776	010110065000000		Electric		REGISTERED
	712				280730012			LT 61 PL 211; S/T R88967 ; PETERBOROUGH	7263	010110066000000		Electric		REGISTERED
	718				280730013			LT 62 PL 211 ; S/T R88967 PETERBOROUGH	9950	010110067000000		Electric		REGISTERED
	724				280730014			LT 63 PL 211 ; S/T R88967 PETERBOROUGH	9953	010110068000000		Electric		REGISTERED
	730				280730015			LT 64 PL 211 ; S/T R88967 PETERBOROUGH	9969	010110069000000		Electric		REGISTERED
	734				280730016			LT 65 PL 211 ; S/T R88967 PETERBOROUGH	7122	010110070000000		Electric		REGISTERED
	740				280730017			LT 66 PL 211 ; S/T R88967 PETERBOROUGH	7179	010110071000000		Electric		REGISTERED
	744				280730018			LT 67 PL 211 ; S/T R88967 PETERBOROUGH	9955	010110072000000		Electric		REGISTERED
	750				280730019			LT 68 PL 211 ; S/T R88967 PETERBOROUGH	9968	010110073000000		Electric		REGISTERED
	754				280730020			LT 69 PL 211 ; S/T R88967 PETERBOROUGH	7448	010110074000000		Electric		REGISTERED
	760				280730021			LT 70 PL 211 ; S/T R88967 ; PETERBOROUGH	11542	010110075000000		Electric		REGISTERED
	774				280730022			LT 71 PL 211 ; S/T R88967 PETERBOROUGH	14171	010110076000000		Electric		REGISTERED
	786				280730023			LT 72 PL 211 ; S/T R88967 ; PETERBOROUGH ; SUBJECT TO EXECUTION 96-0135, IF ENFORCEABLE. ;	11704	010110077000000		Electric		REGISTERED
01/05/1958	500	ERSKINE	AVE	R88967	280730024	PUC	BELL	LT 73 PL 211 ; S/T R88967 PETERBOROUGH	7278	010110079000000		Electric		REGISTERED
	504				280730025			LT 74 PL 211 ; S/T R88967 PETERBOROUGH	7279	010110080000000		Electric		REGISTERED
	508				280730026			LT 75 PL 211 ; S/T R88967 PETERBOROUGH	7178	010110081000000		Electric		REGISTERED
	512				280730027			LT 76 PL 211 ; S/T R88967 PETERBOROUGH	9962	010110082000000		Electric		REGISTERED
	516				280730028			LT 77 PL 211 ; S/T R88967 PETERBOROUGH	7334	010110083000000		Electric		REGISTERED
	522				280730029			LT 78 PL 211 ; S/T R88967,R97093 PETERBOROUGH	10921	010110084000000		Electric		REGISTERED
04/09/1958	870	FAIRBAIRN	ST	R92300	284500193	PUC	BELL	PT LT 9, 10, 11 & 13, PL 20T, SMITH, AS IN R252760 ; S/T R92300 PETERBOROUGH	12423	050050042000000	L17-1555 (Jackson Heights)	Electric	yes	REGISTERED
	874				284500194			PT LTS 10 & 11, PL 20T, SMITH, AS IN R459639 ; S/T R92300 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-1177, IF	8200	050050043000000		Electric		REGISTERED
	876				284500195			PT LTS 11 & 12, PL 20T, SMITH, AS IN R101593 ; S/T R92300	8128	050050044000000		Electric		REGISTERED
04/09/1958	867	HEMLOCK	ST	R92300	284500185	PUC	BELL	PT LTS 5 & 6, PL 20T, SMITH, AS IN R572641 ; S/T R92300	11728	050050139000000	L17-1555 (Jackson Heights)	Electric		REGISTERED
	871				284500184			PT LTS 5 & 6, PL 20T, SMITH, AS IN R461156 ; S/T R92300	7512	050050140000000		Electric		REGISTERED
	873				284500183			PT LTS 5, 6, 16 & 17, PL 20T, SMITH, AS IN R140863 ; S/T R92300 PETERBOROUGH	7510	050050141000000		Electric		REGISTERED
	877				284500182			PT LTS 16 & 17, PL 20T, SMITH, AS IN R165670 ; S/T R92300 PETERBOROUGH	8880	050050142000000		Electric		REGISTERED
	879				284500181			PT LTS 16 & 17, PL 20T, SMITH, AS IN R626248 ; S/T R92300 PETERBOROUGH	11727	050050143000000		Electric		REGISTERED
	891				284500163			PT LTS 18 & 19, PL 20T, SMITH, AS IN R403194 ; S/T R92300 PETERBOROUGH	8859	050050144000000		Electric		REGISTERED
	895				284500162			PT LTS 18, 19, 34 & 35, PL 20T, SMITH, AS IN R402671 ; S/T R92300 ; PETERBOROUGH ; SUBJECT TO EXECUTION 94-0077, IF	7210	050050145000000		Electric		REGISTERED
	899				284500161			PT LTS 34 & 35, PL 20T, SMITH, AS IN R597145 ; S/T R92300 PETERBOROUGH	7307	050050146000000		Electric		REGISTERED
04/09/1958	526	HILLSIDE	ST	R92300	284500146	PUC	BELL	PT LT 4, PL 18T, SMITH, AS IN R444495 ; S/T R92300 PETERBOROUGH	17743	050050048000000		Electric		REGISTERED
	530				284500145			PT LT 4, PL 18T, SMITH, AS IN R616105 ; S/T R92300 PETERBOROUGH	14649	050050049000000		Electric		REGISTERED
	532				284500144			PT LT 4, PL 18T(SMITH), AS IN R638744 ; S/T R92300 PETERBOROUGH	17744	050050050000000		Electric		REGISTERED
	536				284500143			PT LT 4, PL 18T, SMITH, AS IN R226211 ; S/T R92300	14650	050050051000000		Electric		REGISTERED
	538				284500142			PT LT 4, PL 18T, SMITH, AS IN R201180 ; S/T R92300 PETERBOROUGH	17750	050050052000000		Electric		REGISTERED
	542				284500141			PT LTS 3 & 4, PL 18T, SMITH, AS IN R284615 ; S/T R92300	18425	050050053000000		Electric		REGISTERED
	545				284500160			PT LTS 34 & 35, PL 20T, SMITH, AS IN R165229 ; S/T R92300 PETERBOROUGH	11587	050050074000000		Electric		REGISTERED
	549				284500159			PT LT 34, PL 20T, SMITH, AS IN R100214 ; S/T R92300 PETERBOROUGH	14458	050050075000000		Electric		REGISTERED
	550				284500139			PT LT 3, PL 18T, SMITH, AS IN R616025 ; S/T R92300 ;	18431	050050055000000		Electric		REGISTERED
	552				284500138			PT LT 3, PL 18T, SMITH, AS IN R208347 ; S/T R92300 PETERBOROUGH	14183	050050056000000		Electric		REGISTERED
	553				284500158			PT LTS 33 & 34, PL 20T, SMITH, AS IN R159455 ; S/T R92300 PETERBOROUGH	14453	050050076000000		Electric		REGISTERED
	555				284500157			PT LT 33, PL 20T, SMITH, AS IN R145295 ; S/T R92300 PETERBOROUGH	14456	050050077000000		Electric		REGISTERED
	556				284500137			PT LT 3, PL 18T, SMITH, AS IN R152357 ; S/T R92300 PETERBOROUGH	13716	050050057000000		Electric		REGISTERED
	558				284500136			PT LTS 2 & 3, PL 18T, SMITH, AS IN R489856 ; S/T R92300	14186	050050058000000		Electric		REGISTERED
	559				284500156			PT LTS 32 & 33, PL 20T, SMITH, AS IN R209634 ; S/T R92300 PETERBOROUGH	14447	050050078000000		Electric		REGISTERED
	560				284500135			PT LT 2, PL 18T, SMITH, AS IN R235532 ; S/T R92300 ; PETERBOROUGH ; SUBJECT TO EXECUTION 95-0942, IF ENFORCEABLE. ;	14136	050050059000000		Electric		REGISTERED
	561				284500155			PT LT 32, PL 20T, SMITH, AS IN R207780 ; S/T R92300 PETERBOROUGH	14451	050050079000000		Electric		REGISTERED
	564				284500134			PT LT 2, PL 18T, SMITH, AS IN R335482 ; S/T R92300 PETERBOROUGH	14182	050050060000000		Electric		REGISTERED
	565				284500154			PT LTS 31 & 32, PL 20T, SMITH, AS IN R653455 ; S/T R92300 PETERBOROUGH	14449	050050080000000		Electric		REGISTERED
	566				284500133			PT LT 2, PL 18T, SMITH, AS IN R283130 ; S/T R92300 PETERBOROUGH	18433	050050061000000		Electric		REGISTERED
	567				284500153			PT LT 31, PL 20T, SMITH, AS IN R130521 ; S/T R92300 PETERBOROUGH	12225	050050081000000		Electric		REGISTERED
	570				284500528			PT LT 2 PL 18T (SMITH) AS IN R170922 (SECONDLY) ; PT LTS 1, 2 & 3 PL 1 8 (SMITH) AS IN R160253, R170922 (FIRSTLY), S/T R427114,R92300 ; PETERBOROUGH/SMITH-ENNISMORE-LAKEFIELD	49501	060001437100000		Electric		REGISTERED
	574				284500131			PT LTS 1 & 2, PL 18T, SMITH, AS IN R254126 ; S/T R92300	18426	050050063000000		Electric		REGISTERED
	578				284500130			PT LT 1, PL 18T, SMITH, AS IN R606799 ; S/T R92300 PETERBOROUGH	17738	050050064000000		Electric		REGISTERED
	580				284500129			PT LT 1, PL 18T, SMITH, AS IN R238667 ; S/T R92300 PETERBOROUGH	13734	050050065000000		Electric		REGISTERED
	584				284500128			PT LT 1, PL 18T, SMITH, AS IN R263219 ; S/T R92300 PETERBOROUGH	17737	050050066000000		Electric		REGISTERED
	586				284500127			PT LT 1, PL 18T, SMITH, AS IN R623151 ; S/T R92300 PETERBOROUGH	13721	050050067000000		Electric		REGISTERED
	588				284500126			PT LT 1, PL 18T, SMITH, AS IN R583524 ; S/T R92300 PETERBOROUGH	13738	050050068000000		Electric		REGISTERED
	592				284500125			PT LT 1, PL 18T, SMITH, AS IN R553469 ; S/T R92300 PETERBOROUGH	17749	050050069000000		Electric		REGISTERED
	594				284500124			PT LT 1, PL 18T, SMITH, AS IN R573988 ; S/T R92300 PETERBOROUGH	20393	050050070000000		Electric		REGISTERED
04/09/1958	544	POPLAR	ST	R92300	284500164	PUC	BELL	PT LTS 18 & 19, PL 20T, SMITH, AS IN R604508 ; S/T R92300 PETERBOROUGH	11555	050050086000000		Electric		REGISTERED
	547				284500180			PT LT 16, PL 20T, SMITH, AS IN R94214 ; S/T R92300 PETERBOROUGH	14448	050050095000000		Electric		REGISTERED
	548				284500165			PT LT 19, PL 20T, SMITH, AS IN R134414 ; S/T R92300 PETERBOROUGH	14467	050050087000000		Electric		REGISTERED
	551				284500179			PT LTS 15 & 16, PL 20T, SMITH, AS IN R155101 ; S/T R92300	14462	050050096000000		Electric		REGISTERED
	552				284500166			PT LTS 19 & 20, PL 20T, SMITH, AS IN R185524 ; S/T R92300 PETERBOROUGH	14457	050050088000000		Electric		REGISTERED
	553				284500178			PT LT 15, PL 20T, SMITH, AS IN R165737 ; S/T R92300 PETERBOROUGH	14463	050050097000000		Electric		REGISTERED
	554				284500167			PT LT 20, PL 20T, SMITH, AS IN R647094 ; S/T R92300 PETERBOROUGH	14446	050050089000000		Electric		REGISTERED
	557				284500177			PT LTS 14 & 15, PL 20T, SMITH, AS IN R162321 ; S/T R92300 PETERBOROUGH	14454	050050098000000		Electric		REGISTERED
	558				284500168			PT LTS 20 & 21, PL 20T, SMITH, AS IN R571860 ; S/T R92300 PETERBOROUGH	14455	050050090000000		Electric		REGISTERED
	559				284500176			PT LT 14, PL 20T, SMITH, AS IN R649442 ; S/T R92300 PETERBOROUGH	14460	050050099000000		Electric		REGISTERED
	560				284500169			PT LT 21, PL 20T, SMITH, AS IN R423216 ; S/T R92300 PETERBOROUGH	14450	050050091000000		Electric		REGISTERED
	563				284500175			PT LTS 13 & 14, PL 20T, SMITH, AS IN R96233 ; S/T R92300	13358	050050100000000		Electric		REGISTERED
	564				284500170			PT LTS 21 & 22, PL 20T, SMITH, AS IN R652755 ; S/T R92300 PETERBOROUGH	14452	050050092000000		Electric		REGISTERED
	565				284500174			PT LTS 12 & 13 PL 20T, SMITH, AS IN R638773 ; S/T R92300 PETERBOROUGH	10166	050050101000000		Electric		REGISTERED
	566				284500171			PT LT 22, PL 20T, SMITH, AS IN R477357, S/T R92300 ; PETERBOROUGH	12217	050050093000000		Electric		REGISTERED
	569				284500517			PT LTS 11, 12 & 13 PL 20T, SMITH, AS IN R643328 ; S/T R92300 PETERBOROUGH	12488	050050102000000		Electric		REGISTERED
					284500504			PT LTS 11 & 12, PL 20T, SMITH, AS IN R88718, BOUNDED ON THE N BY R630739, ON THE S BY R252760, ON THE E BY R643328 & ON THE W BY R459639 & R101593 ; S/T R92300 CITY OF PETERBOROUGH	12488	050050102000000		Electric		REGISTERED
	575				284500172			PT LTS 11 & 12 PL 20T, SMITH, AS IN R630739 ; S/T R92300 PETERBOROUGH	15761	050050103000000		Electric		REGISTERED
					284500517									REGISTERED
	546				284500186			PT LT 6, PL 20T, SMITH, AS IN R181374 ; S/T R92300 PETERBOROUGH	14466	050050117000000		Electric		REGISTERED
	550				284500187			PT LTS 6 & 7, PL 20T, SMITH, AS IN R652945 ; S/T R92300	14464	050050118000000		Electric		REGISTERED
	552				284500188			PT LT 7, PL 20T, SMITH, AS IN R587145 ; S/T R92300	14461	050050119000000		Electric		REGISTERED
	556				284500189			PT LTS 7 & 8, PL 20T, SMITH, AS IN R556971 ; S/T R92300	14465	050050120000000		Electric		REGISTERED
	558				284500190			PT LT 8, PL 20T, SMITH, AS IN R642296 ; S/T R92300 PETERBOROUGH	14459	050050121000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
04/09/1958	562	RAYMOND	ST	R92300	284500191	PUC	BELL	PT LTS 8, 9 & 10, PL 20T, SMITH, AS IN R589280 ; S/T R92300 PETERBOROUGH	15323	050050122000000	L17-1555 (Jackson Heights)	Electric		REGISTERED
	566				284500192			PT LTS 9, 10 & 13, PL 20T, SMITH, AS IN R128571 ; S/T R92300 PETERBOROUGH	17851	050050123000000		Electric		REGISTERED
					284500505			LTS 9, 10 & 13 PL 20T, SMITH, AS IN R88718, EXCEPT R96233, R589280, R128571, R252760, R459639, R643328 & R638773 ; S/T R92300 CITY OF PETERBOROUGH				Electric		REGISTERED
02/10/1958	909	BARNARDO	AVE	R93079	281240214	PUC	BELL	LT 2 PL 215 ; S/T R93079 PETERBOROUGH	7564	050120018000000		Electric	yes	REGISTERED
02/10/1958	760	CAROL	DR	R93070	281110036	PUC	BELL	LT 3 PL 216 ; S/T R93070 PETERBOROUGH	10295	050040125000000	L17-1542	Electric		REGISTERED
	762				281110037			LT 4 PL 216 ; S/T R93070 PETERBOROUGH	10291	050040126000000	L17-1542	Electric		REGISTERED
	764				281110038			LT 5 PL 216 ; S/T R93070 PETERBOROUGH	10349	050040127000000	L17-1542	Electric		REGISTERED
	766				281110039			LT 6 PL 216; PT LT 7 PL 216 AS IN R365094 ; S/T R93070	13139	050040128000000	L17-1542	Electric		REGISTERED
	768				281110040			PT LT 7 PL 216 AS IN R450090 ; S/T R93070 PETERBOROUGH	19354	050040129000000	L17-1542	Electric		REGISTERED
	770				281110041			LT 8 PL 216, S/T R93070 ; PETERBOROUGH	12452	050040130000000	L17-1542	Electric		REGISTERED
	772				281110042			LT 9 PL 216 ; S/T R93070 ; PETERBOROUGH	9534	050040131000000	L17-1542	Electric		REGISTERED
	774				281110043			PT LT 10 PL 216 AS IN R135395 ; S/T R93070 ; PETERBOROUGH ; SUBJECT TO EXECUTION 95-1215, IF ENFORCEABLE. ;	8076	050040132000000	L17-1542	Electric		REGISTERED
	775				281110048			PT LTS 15 & 16 PL 216, PTS 1, 2, & 4 PL 45R 8242 S/T R93070 ; PETERBOROUGH	18914	050040137000000	L17-1542	Electric		REGISTERED
	776				281110044			LT 11 PL 216; PT LT 10 PL 216 AS IN R618365 ; S/T R93070	12944	050040133000000	L17-1542	Electric		REGISTERED
	777				281110047			LT 14 PL 216 ; S/T R93070 PETERBOROUGH	20122	050040136000000	L17-1542	Electric		REGISTERED
	778				281110045			LT 12 PL 216 ; S/T R93070 ; PETERBOROUGH	18184	050040134000000	L17-1542	Electric		REGISTERED
	779				281110046			LT 13 PL 216 ; S/T R93070 PETERBOROUGH	15509	050040135000000	L17-1542	Electric		REGISTERED
02/10/1958	263	LEE	ST	R93079	281240215	PUC	BELL	LT 3 PL 215 ; S/T R93079 PETERBOROUGH	13033	050120073000000		Electric		REGISTERED
					281240216									REGISTERED
	264				281240249			LT 9 PL 215 ; S/T R93079 PETERBOROUGH	10853	050120064000000		Electric		REGISTERED
	265				281240217			LT 4 PL 215 ; S/T R93079 ; PETERBOROUGH	7865	050120074000000		Electric		REGISTERED
	268				281240248			LT 8 PL 215 ; S/T R93079 PETERBOROUGH	10854	050120065000000		Electric		REGISTERED
	269				281240218			LT 5 PL 215 ; S/T R93079 PETERBOROUGH	10123	050120075000000		Electric		REGISTERED
	270				281240247			LT 7 PL 215 ; S/T R93079 ; PETERBOROUGH	10440	050120066000000		Electric		REGISTERED
	271				281240219			LT 6 PL 215 ; S/T R93079 PETERBOROUGH	8917	050120076000000		Electric		REGISTERED
03/10/1958	929	BIRCH	AVE	R93096	281230185	PUC	BELL	LT 13 PL 217 ; S/T R93096 ; PETERBOROUGH	7860	050120089000000		Electric		REGISTERED
	933				281230186			LT 12 PL 217 ; S/T R93096 ; PETERBOROUGH	8225	050120090000000		Electric		REGISTERED
	934				281230197			LT 1 PL 217, EXCEPT PT 2 45R10098 ; S/T R93096 PETERBOROUGH	9665	050120094020000		Electric		REGISTERED
	935				281230187			LT 11 PL 217 ; S/T INTEREST, IF ANY, IN R613044 ; S/T LIFE INTEREST IN R613044 ; S/T R93096 PETERBOROUGH	8125	050120091000000		Electric		REGISTERED
	937				281230188			LT 10 PL 217 ; S/T R93096 PETERBOROUGH	6701	050120092000000		Electric		REGISTERED
	941				281230189			LT 9 PL 217 ; S/T R93096 ; PETERBOROUGH	6911	050120093000000		Electric		REGISTERED
03/10/1958	234	HERBERT	ST	R93096	281230194	PUC	BELL	LT 4 PL 217 ; S/T R93096 PETERBOROUGH	7502	050120100020000		Electric		REGISTERED
	235				281230195			LT 3 PL 217 ; S/T R93096 ; PETERBOROUGH	7765	050120096010000		Electric		REGISTERED
	236				281230193			LT 5 PL 217 ; S/T R93096 PETERBOROUGH	7332	050120100010000		Electric		REGISTERED
	237				281230196			LT 2 & PT LT 1 PL 217, PTS 1 & 2 45R10098 ; S/T INTEREST, IF ANY, IN R597929 ; S/T R93096 PETERBOROUGH	12143	050120096000000		Electric		REGISTERED
	238				281230192			LT 6 PL 217 ; S/T R93096 PETERBOROUGH	7007	050120100000000		Electric		REGISTERED
	240				281230191			LT 7 PL 217 ; S/T R93096 PETERBOROUGH	8120	050120099000000		Electric		REGISTERED
	242				281230190			LT 8 PL 217 ; S/T R93096 PETERBOROUGH	11957	050120098000000		Electric		REGISTERED
06/10/1958	928	BARNARDO	AVE	R93159	281230172	PUC	BELL	LT 16 PL 214 ; S/T R93159 PETERBOROUGH	7699	050120026000000		Electric	yes	REGISTERED
06/10/1958	250	CLARKE	DR	R93159	281230163	PUC	BELL	LT 7 PL 214 ; S/T R93159 PETERBOROUGH	16041	050120028000000		Electric		REGISTERED
	251				281230164			LT 8 PL 214 ; S/T R93159 PETERBOROUGH	18858	050120036000000		Electric		REGISTERED
	252				281230162			LT 6 PL 214 ; S/T R93159 PETERBOROUGH	21119	050120029000000		Electric		REGISTERED
	253				281230165			LT 9 PL 214 ; S/T R93159 PETERBOROUGH	16903	050120037000000		Electric		REGISTERED
	254				281230161			LT 5 PL 214 ; S/T R93159 PETERBOROUGH	18618	050120030000000		Electric		REGISTERED
	255				281230166			LT 10 PL 214 ; S/T R93159 PETERBOROUGH	13850	050120038000000		Electric		REGISTERED
	256				281230160			LT 4 PL 214 ; S/T R93159 PETERBOROUGH	13926	050120031000000		Electric		REGISTERED
	257				281230167			LT 11 PL 214 ; S/T R93159 PETERBOROUGH	9643	050120039000000		Electric		REGISTERED
	259				281230168			LT 12 PL 214 ; S/T R93159 PETERBOROUGH	13580	050120040000000		Electric		REGISTERED
	260				281230159			LT 3 PL 214 ; S/T R93159 PETERBOROUGH	9137	050120032000000		Electric		REGISTERED
	262				281230158			LT 2 PL 214 ; S/T R93159 PETERBOROUGH	13929	050120033000000		Electric		REGISTERED
	263				281230169			LT 13 PL 214 ; S/T R93159 PETERBOROUGH	9531	050120041000000		Electric		REGISTERED
	264				281230157			LT 1 PL 214 ; S/T R93159 PETERBOROUGH	9540	050120034000000		Electric		REGISTERED
	265				281230170			LT 14 PL 214 ; S/T R93159 PETERBOROUGH	7892	050120042000000		Electric		REGISTERED
	267				281230171			LT 15 PL 214 ; S/T R93159 ; PETERBOROUGH	13138	050120043000000		Electric		REGISTERED
08/10/1958	270	BELLEVUE	ST	R93209	281190093	PUC	BELL	LT 32 PL 218 ; S/T R93209 PETERBOROUGH	9831	050070089000000		Electric	yes	REGISTERED
	272				281190095			LT 31 PL 218 ; S/T R93209 PETERBOROUGH	8868	050070090000000		Electric		REGISTERED
	276				281190097			LT 30 PL 218 ; S/T R93209 PETERBOROUGH	8408	050070091000000		Electric		REGISTERED
	278				281190099			LT 29 PL 218; S/T THE INTEREST IN R618702 ; S/T R93209	8410	050070092000000		Electric		REGISTERED
	280				281190101			LT 28 PL 218 ; S/T R93209 PETERBOROUGH	8414	050070093000000		Electric		REGISTERED
	282				281190102			BLK A PL 218 ; S/T R113285,R93209 PETERBOROUGH	13875	050070094000000		Electric		REGISTERED
	286				281190103			LT 22 PL 218 ; S/T R93209 PETERBOROUGH	13131	050070095000000		Electric		REGISTERED
	294				281190116			LT 9 PL 218 ; S/T R93209 PETERBOROUGH	15585	050070096000000		Electric		REGISTERED
08/10/1958	281	ST ANNE'S	CRES	R93209	281190092	PUC	BELL	LT 27 PL 218 ; S/T R93209 PETERBOROUGH	9674	050070106000000		Electric		REGISTERED
	283				281190094			LT 26 PL 218 ; S/T R93209 PETERBOROUGH	8691	050070107000000		Electric		REGISTERED
	284				281190067			LT 18 PL 218 ; S/T R93209 PETERBOROUGH	15751	050070123000000		Electric		REGISTERED
	285				281190096			LT 25 PL 218 ; S/T R93209 PETERBOROUGH	8218	050070108000000		Electric		REGISTERED
	286				281190066			LT 17 PL 218 ; S/T R93209 ; PETERBOROUGH ; SUBJECT TO EXECUTION 95-0926, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 96-0936, IF ENFORCEABLE. ;	13005	050070124000000		Electric		REGISTERED
	287				281190098			LT 24 PL 218 ; S/T R93209 PETERBOROUGH	8216	050070109000000		Electric		REGISTERED
	288				281190065			LT 16 PL 218 ; S/T R93209 PETERBOROUGH	13007	050070125000000		Electric		REGISTERED
	289				281190100			LT 23 PL 218 ; S/T R93209 PETERBOROUGH	8219	050070110000000		Electric		REGISTERED
	290				281190064			LT 15 PL 218 ; S/T R93209 PETERBOROUGH	13006	050070126000000		Electric		REGISTERED
	292				281190058			PT BLK B PL 218 AS IN R155800 LYING N LT 10 PL 218 ; S/T R113285 R93209 PETERBOROUGH	48603	050070127000000		Electric		REGISTERED
	294				281190063			LT 14 PL 218 ; S/T R93209 PETERBOROUGH	13930	050070128000000		Electric		REGISTERED
	295				281190106			LT 19 PL 218 ; S/T INTEREST IN R626214 ; S/T R93209 PETERBOROUGH	13136	050070111000000		Electric		REGISTERED
	298				281190062			LT 13 PL 218 ; S/T R93209 PETERBOROUGH	12110	050070129000000		Electric		REGISTERED
	300				281190061			LT 12 PL 218; PT BLK B PL 218 AS IN R472948 ; S/T R113285,R93209 PETERBOROUGH	15295	050070130000000		Electric		REGISTERED
	302				281190060			LT 11 PL 218; PT BLK B PL 218 AS IN R239381 ; S/T R113285,R93209 ; PETERBOROUGH ; SUBJECT TO EXECUTION 96-0515, IF	13179	050070131000000		Electric		REGISTERED
	307				281190120			LT 5 PL 218 ; S/T R93209 PETERBOROUGH	16298	050070112000000		Electric		REGISTERED
	309				281190121			LT 4 PL 218; PT BLK Z PL 24T SMITH, PTS 3 & 5, 45R3713 ; S/T R365695,R93209 PETERBOROUGH	20343	050070113000000		Electric		REGISTERED
	311				281190122			LT 3 PL 218 ; S/T R93209 PETERBOROUGH	16100	050070114000000		Electric		REGISTERED
	313				281190123			LT 2 PL 218 ; S/T R93209 PETERBOROUGH	13937	050070115000000		Electric		REGISTERED
08/10/1958	850	TIMOTHY	ST	R93209	281190104	PUC	BELL	LT 21 PL 218 ; S/T R93209 PETERBOROUGH	8955	050070102000000		Electric		REGISTERED
	851				281190117			LT 8 PL 218 ; S/T R93209 PETERBOROUGH	14019	050070099000000		Electric		REGISTERED
	854				281190105			LT 20 PL 218 ; S/T R93209 ; PETERBOROUGH	9372	050070103000000		Electric		REGISTERED
	855				281190118			LT 7 PL 218 ; S/T R93209 PETERBOROUGH	15062	050070100000000		Electric		REGISTERED
	859				281190119			LT 6 PL 218 ; S/T R93209 PETERBOROUGH	13291	050070101000000		Electric		REGISTERED
25/11/1958	865	COCHRANE	CRES	R94447	284500462	PUC	BELL	LT 24, PL 221 ; S/T R94447 PETERBOROUGH	14287	050050185000000		Electric	yes	REGISTERED
	866				284500302			LT 25 & PT LT 26 PL 221, AS IN R515518 ; S/T R94447, R94448 PETERBOROUGH	19615	050050173000000		Electric		REGISTERED
	870				284500303			LT 14 PL 221 ; S/T R94447,R94448 PETERBOROUGH	8875	050050174000000		Electric		REGISTERED
	871				284500453			LT 15, PL 221 ; S/T R94447 PETERBOROUGH	14289	050050186000000		Electric		REGISTERED
	872				284500304			LT 13 PL 221 ; S/T R94447,R94448 PETERBOROUGH	14603	050050175000000		Electric		REGISTERED
	876				284500305			LT 12 PL 221 ; S/T R94447,R94448 PETERBOROUGH	9640	050050176000000		Electric		REGISTERED
	880				284500306			LT 11 PL 221 ; S/T R94447,R94448 PETERBOROUGH	14975	050050177000000		Electric		REGISTERED
	882				284500307			LT 10 PL 221 ; S/T R94447, R94448 PETERBOROUGH	19444	050050178000000		Electric		REGISTERED
	884				284500308			LT 9 PL 221 ; S/T R94447 PETERBOROUGH	10070	050050179000000		Electric		REGISTERED
	886				284500309			LT 8 PL 221 ; S/T R94447 PETERBOROUGH	9712	050050180000000		Electric		REGISTERED
	890				284500310			LT 7 PL 221 ; S/T R94447 ; PETERBOROUGH ; SUBJECT TO EXECUTION 92-1547, IF ENFORCEABLE. ;	8171	050050181000000		Electric		REGISTERED
	891				284500454			LT 16, PL 221 ; S/T R94447 PETERBOROUGH	10130	050050187000000		Electric		REGISTERED
	894				284500311			LT 6 PL 221 ; S/T R94447 PETERBOROUGH	8170	050050182000000		Electric		REGISTERED
	895				284500455			LT 17, PL 221 ; S/T R94447 PETERBOROUGH	12882	050050188000000		Electric		REGISTERED
	897				284500456			LT 18, PL 221 ; S/T R94447 PETERBOROUGH	7898	050050189000000		Electric		REGISTERED
	898				284500312			LT 5 PL 221 ; S/T R94447 PETERBOROUGH	8169	050050183000000		Electric		REGISTERED
	901				284500457			LT 19, PL 221 ; S/T R94447 PETERBOROUGH	14290	050050190000000		Electric		REGISTERED
	902				284500313			LT 4 PL 221 ; S/T R94447 PETERBOROUGH	12371	050050184000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
25/11/1958	870	HEMLOCK	ST	R94447	284500336	PUC	BELL	LT 54, PL 221 ; S/T R94447 PETERBOROUGH	7572	050050147000000		Electric		REGISTERED
	874				284500335			LT 55, PL 221 ; S/T R94447 PETERBOROUGH	7952	050050148000000		Electric		REGISTERED
	878				284500334			LT 56, PL 221 ; S/T R94447 PETERBOROUGH	10352	050050149000000		Electric		REGISTERED
	882				284500333			LT 57, PL 221 ; S/T R94447 PETERBOROUGH	7954	050050150000000		Electric		REGISTERED
	884				284500332			LT 58, PL 221 ; S/T R94447 PETERBOROUGH	8358	050050151000000		Electric		REGISTERED
	888				284500331			LT 59, PL 221 ; S/T R94447 PETERBOROUGH	8357	050050152000000		Electric		REGISTERED
	892				284500330			LT 60, PL 221 ; S/T R94447 PETERBOROUGH	10353	050050153000000		Electric		REGISTERED
	894				284500329			LT 61, PL 221 ; S/T R94447 PETERBOROUGH	8177	050050154000000		Electric		REGISTERED
	898				284500328			PT LT 62, PL 221; AS IN R98074 ; S/T R94447 PETERBOROUGH	7955	050050155000000		Electric		REGISTERED
	902				284500327			PT LT 62 & LT 63, PL 221; AS IN R572841 ; S/T R94447 PETERBOROUGH	14135	050050156000000		Electric		REGISTERED
25/11/1958	495	HILLSIDE	DR	R94447	284500314	PUC	BELL	LTS 1, 2 & 3 PL 221 ; S/T R230579,R94447 PETERBOROUGH	9548	050050072000000		Electric		REGISTERED
25/11/1958	483	RAYMOND	ST	R94447	284500290	PUC	BELL	LT 38 PL 221 ; S/T R94447 PETERBOROUGH	12239	050050124000000		Electric		REGISTERED
	484				284500291			LT 37 PL 221 ; S/T R94447 PETERBOROUGH	8176	050050104000000		Electric		REGISTERED
	486				284500292			LT 36 PL 221 ; S/T R94447 PETERBOROUGH	6913	050050105000000		Electric		REGISTERED
	487				284500289			LT 39 PL 221 ; S/T R94447 PETERBOROUGH	10184	050050125000000		Electric		REGISTERED
	489				284500288			LT 40 PL 221 ; S/T R94447 PETERBOROUGH	14113	050050126000000		Electric		REGISTERED
	490				284500293			LT 35 PL 221 ; S/T R94447 PETERBOROUGH	9491	050050106000000		Electric		REGISTERED
	494				284500294			LT 34 PL 221 ; S/T R94447 PETERBOROUGH	14470	050050108000000		Electric		REGISTERED
	495				284500287			LT 41 PL 221, S/T R94447 ; PETERBOROUGH	14115	050050127000000		Electric		REGISTERED
	497				284500286			LT 42 PL 221 ; S/T R94447 PETERBOROUGH	9127	050050128000000		Electric		REGISTERED
	498				284500295			LT 33 PL 221 ; S/T R94447 PETERBOROUGH	9011	050050109000000		Electric		REGISTERED
	499				284500285			LT 43 PL 221 ; S/T R94447 PETERBOROUGH	9125	050050129000000		Electric		REGISTERED
	500				284500296			PT LT 32, PL 221, AS IN R412253 ; S/T R94447 PETERBOROUGH	9013	050050110000000		Electric		REGISTERED
	503				284500284			LT 44 PL 221 ; S/T R94447 PETERBOROUGH	13790	050050130000000		Electric		REGISTERED
	504				284500297			LT 31 & PT LT 32 PL 221 AS IN R105750 ; S/T R94447	12457	050050111000000		Electric		REGISTERED
	505				284500283			LT 45 & PT LT 46 PL 221; AS IN R100199 ; S/T R94447	14089	050050131000000		Electric		REGISTERED
	506				284500298			PT LT 30, PL 221, AS IN R411243 ; S/T R94447 PETERBOROUGH	6629	050050112000000		Electric		REGISTERED
	508				284500299			PT LTS 29 & 30, PL 221, AS IN R630389 ; S/T R94447 PETERBOROUGH	8945	050050113000000		Electric		REGISTERED
	509				284500282			PT LT 46 PL 221, AS IN R612506 ; S/T R94447 PETERBOROUGH	9510	050050132000000		Electric		REGISTERED
	512				284500300			PT LTS 26, 28 & 29, PL 221, AS IN R641197 ; S/T R94447,R94448 PETERBOROUGH	11181	050050114000000		Electric		REGISTERED
	513				284500281			LT 47 PL 221 ; S/T R94447 PETERBOROUGH	13982	050050133000000		Electric		REGISTERED
	517				284500280			LT 48 PL 221 ; S/T R94447 PETERBOROUGH	21332	050050134000000		Electric		REGISTERED
	521				284500279			LT 49 PL 221 ; S/T R94447 PETERBOROUGH	13560	050050135000000		Electric		REGISTERED
	523				284500278			LT 50 PL 221 ; S/T R94447 PETERBOROUGH	9738	050050136000000		Electric		REGISTERED
	526				284500316			LT 74, PL 221 ; S/T R94447,R94448 PETERBOROUGH	11794	050050115000000		Electric		REGISTERED
	527				284500277			LT 51 PL 221; S/T INTEREST IN R611898 ; S/T R94447 PETERBOROUGH	9622	050050137000000		Electric		REGISTERED
	531				284500276			LT 52 PL 221 ; S/T R94447 PETERBOROUGH	13807	050050138000000		Electric		REGISTERED
	532				284500337			LT 53, PL 221 ; S/T R94447 PETERBOROUGH	10543	050050116000000		Electric		REGISTERED
25/11/1958	871	WESTDALE	AVE	R94447	284500317	PUC	BELL	LT 73, PL 221 ; S/T R94447,R94448 PETERBOROUGH	7897	050050157000000		Electric		REGISTERED
	872				284500301			LT 27 & PT LT 28, PL 221, AS IN R495199 ; S/T R94447 PETERBOROUGH	10365	050050167000000		Electric		REGISTERED
	875				284500318			LT 72, PL 221 ; S/T R94447,R94448 PETERBOROUGH	8082	050050158000000		Electric		REGISTERED
	877				284500319			LT 71, PL 221 ; S/T R94447 PETERBOROUGH	8079	050050159000000		Electric		REGISTERED
	881				284500320			LT 70, PL 221 ; S/T R94447 PETERBOROUGH	8081	050050160000000		Electric		REGISTERED
	883				284500321			LT 69, PL 221 ; S/T R94447 PETERBOROUGH	8084	050050161000000		Electric		REGISTERED
	887							LT 68, PL 221 ; PETERBOROUGH	8078	050050162000000		Electric		REGISTERED
	889				284500323			LT 67, PL 221 ; S/T R94447 PETERBOROUGH	8083	050050163000000		Electric		REGISTERED
	892				284500461			LT 23, PL 221 ; S/T R94447 PETERBOROUGH	10129	050050169000000		Electric		REGISTERED
	893				284500324			LT 66, PL 221 ; S/T R94447 PETERBOROUGH	8274	050050164000000		Electric		REGISTERED
	896				284500460			LT 22, PL 221 ; S/T R94447 PETERBOROUGH	12881	050050170000000		Electric		REGISTERED
	897				284500325			LT 65, PL 221 ; S/T R94447 PETERBOROUGH	10476	050050165000000		Electric		REGISTERED
	898				284500459			LT 21, PL 221 ; S/T R94447 PETERBOROUGH	7899	050050171000000		Electric		REGISTERED
	900				284500458			LT 20, PL 221 ; S/T R94447 PETERBOROUGH	14288	050050172000000		Electric		REGISTERED
	901				284500326			LT 64, PL 221 ; S/T R94447 PETERBOROUGH	12248	050050166000000		Electric		REGISTERED
06/02/1958		LANSDOWNE	STW			HEPC (PDI)		From HEPC; LT 4 Conc RP#71 = Lt 9 Conc 11, N. Monaghan; Low tension line easement	1539		L17 BY 1539 -- BY = Lansdowne/Bypass	Electric	No	UNREGISTERED
20/03/1958		SPILLSBURY	AREA			HEPC (PDI)		HEPC; LT 8 BLK 11 N Monaghan	1539		(Forster/Wilson) L17 BY 1539	Electric	No	UNREGISTERED
12/05/1905	865	HILLIARD	ST			PDI		ECR PT 1 REG 0.26AC 52.00FR 218.00D	19924	050110059000000	L17-1554, L17-56642, L17-56643	Electric		UNREGISTERED
06/03/1962		SPILLSBURY	AREA			HEPC (PDI)		HEPC; LT 4 of RP#91 being part of LT 8 BLK 11 N Monaghan	1539		(Robinsons) L17 BY 1539	Electric	No	UNREGISTERED
21/06/1956		SPILLSBURY	DR			HEPC (PDI)		HEPC; LT 7, Conc 11 N. Monaghan	1539		(Ptbo Pinewood Coop Homes) L17 BY 1539	Electric	No	UNREGISTERED
01/03/1950		??				HEPC (PDI)		HEPC; PT LT 9 Conc 11, N Monaghan; QC20D1 491; P96063 stamped	1539		(Patterson) L17 BY 1539	Electric		UNREGISTERED
28/03/1955		HARPER	RD			HEPC (PDI)		HEPC; LT 9 Conc 11, N Monaghan	1539		(Pattersons) L17 BY 1539	Electric	No	UNREGISTERED
21/06/1956		SPILLSBURY	AREA			HEPC (PDI)		HEPC; LT 7, Conc 11, N Monaghan	1539		(Lytle) L17 BY 1539	Electric	No	UNREGISTERED
16/02/1960		KINGDON	AVE			HEPC (PDI)		HEPC; LT 1 Reg Plan 91; located in LT 8 Conc 11 N Monaghan; QC20D1 Sectn 605-10003-884-102 (223)	1539		(Kingdon) L17 BY 1539	Electric	No	UNREGISTERED
05/03/1962		KINGDON	AVE			HEPC (PDI)		HEPC; LT 8 Conc 11 N Monaghan; QC20D1 Sectn 605-10010-884-102 (223)	1539		(Kingdon) L17 BY 1539	Electric	No	UNREGISTERED
08/12/1954		HARPER	RD			HEPC (PDI)		LT 9 Con 11, N Monaghan; 605-5771-130	1539		(Hooper) L17 BY 1539	Electric	No	UNREGISTERED
16/08/1961		SPILLSBURY??	DR			HEPC (PDI)		LT 5 & 6, Conc. 11, N Monaghan 605-10010-884-103	1539		(C Dobbin Moncrief et al) L17 BY 1539 (I Haynes??)	Electric	No	UNREGISTERED
21/06/1956		SPILLSBURY	DR			HEPC (PDI)		HEPC; Lot 7 Conc 11; N. Monaghan	1539		(J Dobbin) L17 BY 1539	Electric	No	UNREGISTERED
01/04/1930		SPILLSBURY	AREA			HEPC (PDI)		HEPC; NW Quarter of Lot 8 Conc 11; N. Monaghan; C20D1 M17-5006 #14640 stamped; Reg #9344June 28, 1930	1539		(Westman) L17 BY 1539	Electric	No	UNREGISTERED
01/01/1958		CHARLOTTE PROP	AREA			PUC		PL 221	1543		L17-1543	Electric	No	UNREGISTERED
24/03/1959		LANSDOWNE	STW			PUC		From HEPC; Lt 9 Conc 11, N. Monaghan; Low tension line easement	1539		L17 BY 1539	Electric	No	UNREGISTERED
17/03/1959	903	CHEMONG	RD	R96506	284500402	PUC	BELL	LTS 43 & 44, PL 224; PT LT 1 PL 15T, SMITH, AS IN R95419, EXCEPT PL 224 & PL 228, & PT 1, 45R5705 ; S/T R96506 PETERBOROUGH	22034	050060008000000		Electric	yes	REGISTERED
17/03/1959	898	GLENHOLME	AVE	R96506	284500382	PUC	BELL	LT 24, PL 224 ; S/T R96506 PETERBOROUGH	12396	050060122000000		Electric		REGISTERED
	901				284500362			LT 23, PL 224 ; S/T R96506 ; PETERBOROUGH ; SUBJECT TO EXECUTION 96-0806, IF ENFORCEABLE. ;	10212	050060120000000		Electric		REGISTERED
	905				284500361			LT 22, PL 224 ; S/T R96506 PETERBOROUGH	12910	050060121000000		Electric		REGISTERED
17/03/1959	898	ROSEHILL	DR	R96506	284500391	PUC	BELL	LT 33, PL 224 ; S/T R96506 PETERBOROUGH	7552	050060160000000		Electric		REGISTERED
	899				284500390			LT 32, PL 224 ; S/T R96506 PETERBOROUGH	6931	050060157000000		Electric		REGISTERED
	902				284500392			LT 34, PL 224 ; S/T R96506 PETERBOROUGH	7128	050060161000000		Electric		REGISTERED
	903				284500389			LT 31, PL 224 ; S/T R96506 PETERBOROUGH	7482	050060158000000		Electric		REGISTERED
	906				284500393			LT 35, PL 224 ; S/T R96506 PETERBOROUGH	7353	050060162000000		Electric		REGISTERED
	907				284500388			LT 30, PL 224 ; S/T R96506 PETERBOROUGH	7481	050060159000000		Electric		REGISTERED
17/03/1959	360	SUMMERHILL	DR	R96506	284500340	PUC	BELL	LT 1, PL 224 ; S/T R96506 PETERBOROUGH	12277	050060123000000		Electric		REGISTERED
	362				284500341			LT 2, PL 224 ; S/T R96506 PETERBOROUGH	12030	050060124000000		Electric		REGISTERED
	366				284500342			LT 3, PL 224 ; S/T R96506 ; PETERBOROUGH	12028	050060125000000		Electric		REGISTERED
	367				284500400			LT 42, PL 224 ; S/T R96506 PETERBOROUGH	15834	050060145000000		Electric		REGISTERED
	369				284500399			LT 41, PL 224 ; S/T R96506 PETERBOROUGH	15387	050060146000000		Electric		REGISTERED
	370				284500343			LT 4, PL 224 ; S/T R96506 PETERBOROUGH	12032	050060126000000		Electric		REGISTERED
	372				284500344			LT 5, PL 224 ; S/T R96506 PETERBOROUGH	12031	050060127000000		Electric		REGISTERED
	373				284500398			LT 40, PL 224 ; S/T R96506 PETERBOROUGH	15377	050060147000000		Electric		REGISTERED
	375				284500397			LT 39, PL 224 ; S/T R96506 PETERBOROUGH	15394	050060148000000		Electric		REGISTERED
	376				284500345			LT 6, PL 224 ; S/T R96506 PETERBOROUGH	7694	050060128000000		Electric		REGISTERED
	378				284500346			LT 7, PL 224 ; S/T R96506 PETERBOROUGH	7697	050060129000000		Electric		REGISTERED
	379				284500396			LT 38, PL 224 ; S/T R96506 PETERBOROUGH	16129	050060149000000		Electric		REGISTERED
	381				284500395			LT 37, PL 224 ; S/T R96506 PETERBOROUGH	18422	050060150000000		Electric		REGISTERED
	382				284500347			LT 8, PL 224 ; S/T R96506 PETERBOROUGH	12026	050060130000000		Electric		REGISTERED
	384				284500348			LT 9, PL 224 ; S/T R96506 PETERBOROUGH	12029	050060131000000		Electric		REGISTERED
	385				284500394			LT 36, PL 224 ; S/T R96506 PETERBOROUGH	11098	050060151000000		Electric		REGISTERED
	388				284500349			LT 10, PL 224 ; S/T R96506 PETERBOROUGH	12033	050060132000000		Electric		REGISTERED
	392				284500350			LT 11, PL 224 ; S/T R96506 PETERBOROUGH	7693	050060133000000		Electric		REGISTERED
	394				284500351			LT 12, PL 224 ; S/T R96506 PETERBOROUGH	12027	050060134000000		Electric		REGISTERED
	395				284500387			LT 29, PL 224 ; S/T R96506 PETERBOROUGH	11084	050060152000000		Electric		REGISTERED
	398				284500352			LT 13, PL 224 ; S/T R96506 PETERBOROUGH	7723	050060135000000		Electric		REGISTERED
	400				284500353			LT 14, PL 224 ; S/T R96506 PETERBOROUGH	16661	050060136000000		Electric		REGISTERED
	401				284500386			LT 28, PL 224 ; S/T R96506 PETERBOROUGH	16313	050060153000000		Electric		REGISTERED
	402				284500354			LT 15, PL 224 ; S/T R96506 PETERBOROUGH	13267	050060137000000		Electric		REGISTERED
	405				284500385			LT 27, PL 224 ; S/T R96506 PETERBOROUGH	16037	050060154000000		Electric		REGISTERED
	406				284500355			LT 16, PL 224 ; S/T R96506 PETERBOROUGH	14078	050060138000000		Electric		REGISTERED
	407				284500384			LT 26, PL 224 ; S/T R96506 PETERBOROUGH	16004	050060155000000		Electric		REGISTERED
	408				284500356			LT 17, PL 224 ; S/T R96506 PETERBOROUGH	15379	050060139000000		Electric		REGISTERED
	410				284500357			LT 18, PL 224 ; S/T R96506 PETERBOROUGH	15386	050060140000000		Electric		REGISTERED
	412				284500358			LT 19, PL 224 ; S/T R96506 PETERBOROUGH	14127	050060141000000		Electric		REGISTERED
	416				284500359			LT 20, PL 224 ; S/T R96506 PETERBOROUGH	17908	050060142000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
	418				284500360			LT 21, PL 224 ; S/T R96506 PETERBOROUGH	19321	050060143000000		Electric		REGISTERED
17/04/1959	710	BARBARA	CRES	R97093	280730048	PUC (PDI)	BELL	LT 94 PL 220 ; S/T R97093 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0269, IF ENFORCEABLE. ;	11863	010110022000000	L17 BA 1532	Electric		REGISTERED
	714				280730073			BLOCK A PL 207 ; S/T R97093 PETERBOROUGH	22616	010110023000000		Electric		REGISTERED
	718				280730047			PT LT 93 PL 220 AS IN R416879 ; S/T R97093 PETERBOROUGH	9103	010110024000000		Electric		REGISTERED
	724				280730046			LT 92 PL 220; PT LT 93 PL 220 AS IN R490387 ; S/T R97093 PETERBOROUGH	14053	010110025000000		Electric		REGISTERED
	730				280730045			LT 91 PL 220; PT LT 90 PL 220 AS IN R657703 ; S/T R97093 ; PETERBOROUGH ;	10773	010110026000000		Electric		REGISTERED
	736				280730044			PT LTS 89 & 90 PL 220 AS IN R635760 ; S/T R97093 PETERBOROUGH	12627	010110027000000		Electric	No, PUC Plan	REGISTERED
	740				280730043			PT LT 89 PL 220 AS IN R421896 ; S/T R97093 PETERBOROUGH	9109	010110028000000		Electric		REGISTERED
	746				280730042			LT 88 PL 220 ; S/T R97093 PETERBOROUGH	11862	010110029000000		Electric		REGISTERED
	752				280730041			LT 87 PL 220 ; S/T R97093 PETERBOROUGH	9105	010110030000000		Electric		REGISTERED
	756				280730040			LT 86 PL 220; PT LT 85 PL 220 AS IN R501983 ; S/T R97093	10382	010110031000000		Electric		REGISTERED
	762				280730039			PT LT 85 PL 220 AS IN R107434 ; S/T R97093 PETERBOROUGH	9648	010110032000000		Electric		REGISTERED
	766				280730038			LT 84 PL 220; S/T INTEREST IN R395249 ; S/T R97093 PETERBOROUGH	9619	010110033000000		Electric		REGISTERED
	770				280730037			LT 83 PL 220; S/T R88967, R97093 PETERBOROUGH	19355	010110034000000		Electric		REGISTERED
17/04/1959	522	ERSKINE	AVE	R97093	280730029	PUC	BELL	LT 78 PL 211 ; S/T R88967,R97093 PETERBOROUGH	10921	010110084000000		Electric		REGISTERED
21/05/1959	347	APPLEGROVE	AVE	R97795	284500421	PUC	BELL	PT LT 1, PL 228, PTS 2, 18, 19 & 29, 45R639; S/T & T/W AS IN R651307 ; S/T R97795 PETERBOROUGH	4773	050060176000000		Electric	yes	REGISTERED
	349				284500420			PT LTS 1 & 2, PL 228, PTS 3, 16, 17, 20 & 28, 45R639; S/T & T/W AS IN R620011 ; S/T R97795 PETERBOROUGH	48671	050060176020000		Electric		REGISTERED
	351				284500419			PT LT 2, PL 228, PTS 4, 14, 15, 21 & 27, 45R639; S/T & T/W AS IN R591697 ; S/T R97795 PETERBOROUGH	48672	050060176040000		Electric		REGISTERED
	353				284500418			PT LT 2, PL 228, PTS 5, 12, 13, 22 & 26, 45R639; S/T & T/W AS IN R588520 ; S/T R97795 PETERBOROUGH	48673	050060176060000		Electric		REGISTERED
	355				284500417			PT LTS 2 & 3, PL 228, PTS 6, 10, 11, 23 & 25, 45R639; S/T & T/W AS IN R625742 ; S/T R97795 PETERBOROUGH	401	050060176080000		Electric		REGISTERED
	357				284500416			PT LT 3, PL 228, PTS 7, 9 & 24, 45R639; S/T & T/W AS IN R589627 ; S/T R97795 PETERBOROUGH	2673	050060176100000		Electric		REGISTERED
	359				284500415			LT 4, PL 228 ; S/T R97795 PETERBOROUGH	8148	050060179000000		Electric		REGISTERED
	361				284500414			LT 5 & PT LT 6, PL 228; AS IN R556165; S/T INTEREST IN R556165 ; S/T R97795 PETERBOROUGH	8960	050060180000000		Electric		REGISTERED
	365				284500413			PT LT 6, PL 228; AS IN R397708 ; S/T R97795 PETERBOROUGH	11442	050060181000000		Electric		REGISTERED
	366				284500524			LT 15 PL 228, S/T R97795 ; PETERBOROUGH	12719	050060163000000		Electric		REGISTERED
	368				284500405			LT 14, PL 228 ; S/T R97795 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-0305, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 96-0060, IF ENFORCEABLE. ;	11456	050060164000000		Electric		REGISTERED
	369				284500412			LT 7, PL 228 ; S/T R97795 PETERBOROUGH	11716	050060182000000		Electric		REGISTERED
	370				284500406			LT 13, PL 228 ; S/T R97795 PETERBOROUGH	10692	050060165000000		Electric		REGISTERED
	372				284500407			LT 12, PL 228 ; S/T R97795 PETERBOROUGH	10225	050060166000000		Electric		REGISTERED
	373				284500411			LT 8, PL 228 ; S/T R97795 PETERBOROUGH	12210	050060183000000		Electric		REGISTERED
	375				284500410			LT 9, PL 228(PETERBOROUGH) ; PETERBOROUGH	10020	050060184000000		Electric		REGISTERED
	377				284500409			LT 10, PL 228 ; S/T R97795 PETERBOROUGH	10021	050060185000000		Electric		REGISTERED
12/06/1959	491	ROBERT	ST	R98442	280560103	PUC	BELL	LT 1 PL 226 ; S/T R98442 PETERBOROUGH	10996	010120024000000	L17-1560	Electric	yes	REGISTERED
	492				280560105			LT 24 PL 226 ; S/T R98442 PETERBOROUGH	10994	010120011000000		Electric		REGISTERED
	495				280560102			LT 2 PL 226 ; S/T R98442 ; PETERBOROUGH ; SUBJECT TO EXECUTION 93-1263, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 97-0746, IF ENFORCEABLE. ; SUBJECT TO EXECUTION 97-0810, IF	7533	010120025000000		Electric		REGISTERED
	496				280560106			LT 23 PL 226 ; S/T R98442 PETERBOROUGH	7532	010120012000000		Electric		REGISTERED
	499				280560101			LT 3 PL 226 ; S/T R98442 ; PETERBOROUGH	7527	010120026000000		Electric		REGISTERED
	500				280560107			LT 22 PL 226 ; S/T R98442 PETERBOROUGH	9447	010120013000000		Electric		REGISTERED
	503				280560100			LT 4 PL 226 ; S/T R98442 PETERBOROUGH	7530	010120027000000		Electric		REGISTERED
	504				280560108			LT 21 PL 226 ; S/T R98442 PETERBOROUGH	7375	010120014000000		Electric		REGISTERED
	507				280560099			LT 5 PL 226 ; S/T R98442 PETERBOROUGH	11222	010120028000000		Electric		REGISTERED
	508				280560109			LT 20 PL 226 ; S/T R98442 PETERBOROUGH	7524	010120015000000		Electric		REGISTERED
	511				280560098			LT 6 PL 226 ; S/T R98442 PETERBOROUGH	7528	010120029000000		Electric		REGISTERED
	512				280560110			LT 19 PL 226 ; S/T R98442 PETERBOROUGH	11235	010120016000000		Electric		REGISTERED
	515				280560097			LT 7 PL 226 ; S/T R98442 PETERBOROUGH	7526	010120030000000		Electric		REGISTERED
	518				280560111			LT 18 PL 226 ; S/T R98442 PETERBOROUGH	7529	010120017000000		Electric		REGISTERED
	519				280560096			LT 8 PL 226 ; S/T R98442 PETERBOROUGH	9670	010120031000000		Electric		REGISTERED
	522				280560112			LT 17 PL 226 ; S/T R98442 PETERBOROUGH	11227	010120018000000		Electric		REGISTERED
	525				280560095			LT 9 PL 226 ; S/T R98442 PETERBOROUGH	11238	010120032000000		Electric		REGISTERED
	526				280560113			LT 16 PL 226 ; S/T R98442 PETERBOROUGH	7525	010120019000000		Electric		REGISTERED
	529				280560094			LT 10 PL 226 ; S/T R98442 PETERBOROUGH	7531	010120033000000		Electric		REGISTERED
	530				280560114			LT 15 PL 226 ; S/T R98442 PETERBOROUGH	7534	010120020000000		Electric		REGISTERED
	533				280560093			LT 11 PL 226 ; S/T R98442 PETERBOROUGH	8150	010120034000000		Electric		REGISTERED
	534				280560115			LT 14 PL 226 ; S/T R98442 PETERBOROUGH	7724	010120021000000		Electric		REGISTERED
	537				280560092			LT 12 PL 226 ; S/T R98442 PETERBOROUGH	8447	010120035000000		Electric		REGISTERED
	540				280560116			LT 13 PL 226 ; S/T R98442 PETERBOROUGH	8815	010120022000000		Electric		REGISTERED
29/11/1960	149	ELIZABETH	AVE		281180062	PUC		PT LT 60 PLN 78T, 2', A-1302	12876	050090038000000	L17-1556	Electric		UNREGISTERED
13/05/1905		RIVER	RD S			PDI		AREA SOUTH OF LANSDOWNE ST. EAST (RIVER RD S, COLLISON HTS., BY PASS) LTS 26,27 CONC 12, LTS 24,25,26 CONC 13, LTS 24,25 CONC 14 TWNSHP OTONABEE	1570		L17-1570	Electric		UNREGISTERED
01/01/1960	621	RIVER	RD S		280980104	PUC		PT LT 32 PL 18S OTONABEE AS IN R615458 ; S/T R158993	21759	10010137010000	L17-1570	Electric	NO	UNREGISTERED
31/08/1961	266	BELLEVUE	AVE	R117488	281190089	PUC	BELL	PT BLK Z PL 24T SMITH AS IN R323289 ; S/T R117488 PETERBOROUGH	7070	050070087000000		Electric		REGISTERED
	268				281190091			PT BLK Z PL 24T SMITH AS IN R607750 ; S/T R117488 PETERBOROUGH	7073	050070088000000		Electric		REGISTERED
31/08/1961	275	ST ANNE'S	CRES	R117488	281190088	PUC	BELL	PT BLK Z PL 24T SMITH AS IN R228563 ; S/T R117488 ; PETERBOROUGH ; SUBJECT TO EXECUTION 98-0369, IF	6865	050070104000000		Electric	yes	REGISTERED
	277				281190090			PT BLK Z PL 24T SMITH AS IN R453740 ; S/T R117488 PETERBOROUGH	6864	050070105000000		Electric	yes	REGISTERED
12/03/1962	1122	HILLIARD	DR	R121816	281270213	PUC		BLK H PL 227; BLK MM PL 227 ; BLK V PL 247; BLK X PL 247 ; S/T R121816,R151098,R179977 PETERBOROUGH	23285	050170001000000		Electric	yes	REGISTERED
01/01/1962		M4 LINE/ CORRIGAN				PUC		PT LT 5&6, PT LT 26 CONC 12 OTONABEE	1531		L17-EA-1531 & L17-CO-1574	Electric	no	UNREGISTERED
01/01/1962	1116	HILLIARD	ST		281270213	PUC		BL H PL 227	23320	050160005000000	L17-1442 (LAND ASSEMBLY)	Electric	no	UNREGISTERED
30/11/1962	317	SUNSET	BLVD		281190009	BELL	PUC	LT 2 PL 235 ; S/T R128277 PETERBOROUGH	1549	050070199000000	L17-1549	Electric	yes	UNREGISTERED
16/08/1963	277	GREENLAWN	AVE	R134017	281190043	PUC	BELL	LT 19 PL 237 ; S/T R134017 PETERBOROUGH	15338	050070146000000		Electric	yes	REGISTERED
	278				281190144			LT 18 PL 237 ; S/T R134017 PETERBOROUGH	8577	050070165000000		Electric		REGISTERED
	280				281190143			LT 17 PL 237 ; S/T R134017 PETERBOROUGH	8580	050070166000000		Electric		REGISTERED
	281				281190044			LT 20 PL 237 ; S/T R134017 PETERBOROUGH	15482	050070147000000		Electric		REGISTERED
	283				281190045			LT 21 PL 237 ; S/T R134017 PETERBOROUGH	17250	050070148000000		Electric		REGISTERED
	284				281190142			LT 16 PL 237 ; S/T R134017 PETERBOROUGH	8582	050070167000000		Electric		REGISTERED
	286				281190141			LT 15 PL 237 ; S/T R134017 PETERBOROUGH	8578	050070168000000		Electric		REGISTERED
	287				281190046			LT 22 PL 237 ; S/T R134017,R134608E PETERBOROUGH	18102	050070149000000		Electric		REGISTERED
	288				281190140			LT 14 PL 237 ; S/T R134017 PETERBOROUGH	8579	050070169000000		Electric		REGISTERED
	289				281190047			LT 23 PL 237 ; S/T R134017 PETERBOROUGH	11140	050070150000000		Electric		REGISTERED
	290				281190139			LT 13 PL 237 ; S/T R134017 PETERBOROUGH	8581	050070170000000		Electric		REGISTERED
	291				281190048			LT 24 PL 237 ; S/T R134017 PETERBOROUGH	11153	050070151000000		Electric		REGISTERED
	293				281190049			LT 25 PL 237 ; S/T R134017,R134608E PETERBOROUGH	15194	050070152000000		Electric		REGISTERED
	294				281190138			LT 12 PL 237 ; S/T R134017,R134608E PETERBOROUGH	13254	050070171000000		Electric		REGISTERED
	296				281190137			LT 11 PL 237 ; S/T RIGHT R146342 ; S/T R134017, R134608E	13219	050070172000000		Electric		REGISTERED
	297				281190050			LT 26 PL 237 ; S/T R134608E PARTIALLY RELEASED BY R307270 ; S/T R134017 PETERBOROUGH	15317	050070153000000		Electric		REGISTERED
	299				281190051			LT 27 PL 237 ; S/T R134017 PETERBOROUGH	11196	050070154000000		Electric		REGISTERED
	300				281190136			LT 10 PL 237 ; S/T R134017 PETERBOROUGH	7702	050070173000000		Electric		REGISTERED
	301				281190052			LT 28 PL 237 ; S/T R134017 PETERBOROUGH	11219	050070155000000		Electric		REGISTERED
	302				281190135			LT 9 PL 237 ; S/T R134017 PETERBOROUGH	7705	050070174000000		Electric		REGISTERED
	303				281190053			LT 29 PL 237 ; S/T R134017 PETERBOROUGH	11237	050070156000000		Electric		REGISTERED
	304				281190134			LT 8 PL 237 ; S/T R134017 PETERBOROUGH	9135	050070175000000		Electric		REGISTERED
16/08/1963	287	SUNSET	BLVD	R134017	281190018	PUC	BELL	LT 1 PL 237 ; S/T R134017 PETERBOROUGH	18638	050070190000000		Electric		REGISTERED
	293				281190016			LT 2 PL 237 ; S/T R134017 PETERBOROUGH	13367	050070192000000		Electric		REGISTERED
	297				281190015			LT 3 PL 237 ; S/T R134017 PETERBOROUGH	12543	050070193000000		Electric		REGISTERED
	299				281190014			LT 4 PL 237; S/T R134017 PETERBOROUGH	12542	050070194000000		Electric		REGISTERED
	301				281190013			LT 5 PL 237 ; S/T R134017,R134608E PETERBOROUGH	18290	050070195000000		Electric		REGISTERED
	311				281190011			LT 6 PL 237 ; S/T R134017 PETERBOROUGH	10239	050070197000000		Electric		REGISTERED
	315				281190010			LT 7 PL 237 ; S/T R134017 PETERBOROUGH	10240	050070198000000		Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN *(Yes or NO)*	REGISTERED or UNREGISTERED
01/10/1964	1355	LANSDOWNE	ST	R144518	280540346	PUC		PT LT 9, CON 11 , PART 2 , 45R11117 , PT LT 9, CON 11 , PART 1 , 45R2571 , (NORTH MONAGHAN) S/T Q14052 ASSIGNED BY R413382 ; S/T R144518 PETERBOROUGH	23388	010130107000000	L17-ET-1547	Electric		REGISTERED
					280540216								NO	REGISTERED
					280610256									REGISTERED
					280610257									REGISTERED
					280610236									REGISTERED
01/01/1964	775	WELLER	ST	LT64541	280610235	BELL	PUC	Part of Lots 9 and 10. Registered Plan 23Q City of Peterborough. County of Peterborough designated as Parts 4, 5 and 6 on Reference Plan 45R 11276	22556	020080058000000	L17-1316	Electric		REGISTERED
					280610236									REGISTERED
					280610256									REGISTERED
					280610257								yes	REGISTERED
19/05/1966	CONTINUATION	BETHUNE	ST			PUC		PT LT 10 W GEORGE ST, S OF WOLFE ST AND N OF TOWNSEND	1541		L17-1541 (If you continued Bethune, between Wolfe and Townsend)	Electric	NO	UNREGISTERED
01/01/1966	51	LONDON	ST		284850052	PUC		PLAN 8 PT LOTS 12 TO 14 PT MILL RESERVE PT OLD RACEWAY PT LONDON ST PT BED OF OTONABEE RIVER RP 45R1287 PARTS 7 TO 14 17 AND 18	50568	040090022030000	L17-38316	Electric	no	UNREGISTERED
01/01/1966	211	HUNTER	ST W		281030085	PUC		PLAN 1A PT BLK V E ARMOUR RP 45R6328 PART 1 REG 9.94AC 604.20FR D	16257	040050124000000	L17-1579	Electric	NO	UNREGISTERED
01/01/1966	700	ORPINTON	RD		280720093	PDI		PLAN 40Q PT LOT 3 PT LOT 4 IRREG 0.18AC 60.00FR 128.00D	16524	10110200000000	L17-27584	Electric		UNREGISTERED
01/01/1969	1197	HILLIARD	ST			PUC		PT BL P PL 227	1544		L17-1544	Electric		UNREGISTERED
01/01/1971	184	HUNTER	St W		281030017	PUC		PLAN 55 LOT E LOT F IRREG 25943.00SF 61.08FR D	1580	040060004000000	L17-1580	Electric		UNREGISTERED
01/01/1973	52 & 54	ALEXANDER	AVE		280610163	PDI		PLAN 297 N30' LOT 3 RP 45R803 PART 9 TO 10 REG 0.09AC 30.00FR 130.00D	1546	020080156090000	Part Lot 4 (5' on #54) & part lot 5 (5' on #52) of Rplan 297, described as parts 1 & 2 of R Plan 45R856	Electric	yes	UNREGISTERED
01/01/1974	805	DONEGAL	ST		281110024	PUC		PLAN 17T N29.08' OF E120' LOT 47 S28.9' E120' LOT 48 REG 0.16AC 58.00FR 120.00D	50026	050040189000000	L17-50026	Electric		UNREGISTERED
01/01/1974	1491	FIRWOOD	CRES	271465	284720334	PUC		PLAN 299 LOT 16 IRREG 0.19AC 70.00FR 120.00D	1496	020070657000000	L17-1496	Electric	no	REGISTERED
09/09/1974	1208	PULPIT	CRES	R271465	280380029	PUC		LT 16 PL 290 ; S/T R271465 PETERBOROUGH	18386	020070549000000		Electric	yes	REGISTERED
09/09/1974	1209	WELLER	DR	R271465	280380009	PUC		LT 36 PL 290 ; S/T R271465 PETERBOROUGH	16389	020070248110000		Electric		REGISTERED
12/11/1974	1745	STEWARTCROFT	CRES		280500018	PUC		PCL 62-1 SEC M2; LT 62 PL M2 ; S/T LT73 PETERBOROUGH	17981	020010668000000	L171538 - 45R1336	Electric		UNREGISTERED
	1749				280500019			PCL 61-1 SEC M2; LT 61 PL M2 ; S/T LT73 PETERBOROUGH	17576	020010667000000	L17-1538	Electric	yes	UNREGISTERED
11/02/1976	100	LANGTON	RD	R293847	281220248	PUC		PT LT 17 CON 2 SMITH ; PETERBOROUGH	20382	050130002020000	L17-1559	Electric	Yes	REGISTERED
	102				281220249			PT LT 17 CON 2 SMITH, PTS 4 & 5, 45R1685 ; S/T R293848	7581	050130002030000		Electric		REGISTERED
01/01/1976	581	NEAL	DR	300591	281430005	HEPCO		PT LT 24 CON 13 OTONABEE PTS 11 & 12, 45R1987, S/T S14790 AS ASSIGNED BY R413382 ; S/T R300591E PETERBOROUGH CITY	22519	010010013660000	L17-44390	Electric	yes	REGISTERED
	585				281430006			PT LT 24 CON 13 OTONABEE PTS 1 & 2, 45R2273, S/T S14790 AS ASSIGNED BY R413382 ; S/T R307836E PETERBOROUGH CITY	22576	010010013650000	L17-44389	Electric	yes	REGISTERED
28/07/1977	1	CHAMBERLAIN	ST	R318650	280590006	PUC	PDI	PT LT 11 CON 12 N MONAGHAN PTS 1 TO 3 45R4682; PT LT 11 CON 12 N MONAGHAN PTS 3 & 4 45R2534; PT LT 11 CON 12 N MONAGHAN PTS 21 & 22 45R2534 ; S/T R312287, R318649,R318650	22472	020020092010000	L17-1557,36597,36598	Both	yes	REGISTERED
	874				280590021			PT LT 11 CON 12 N MONAGHAN PTS 25 & 26 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	913	020020092550000	L17-1557,36597,36598	Both	yes	REGISTERED
	876				280590020			PT LT 11 CON 12 N MONAGHAN PTS 25 & 26 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	324	20020092570000	L17-1557,36597,36598	Both	yes	REGISTERED
	878				280590019			PT LT 11 CON 12 N MONAGHAN PTS 25 & 26 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	323	020020092590000	L17-1557,36597,36598	Both	yes	REGISTERED
	880				280590018			PT LT 11 CON 12 N MONAGHAN PTS 25 & 26 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	325	20020092610000	L17-1557,36597,36598	Both	yes	REGISTERED
	882				280590017			PT LT 11 CON 12 N MONAGHAN PTS 25 & 26 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	3101	020020092630000	L17-1557,36597,36598	Both	yes	REGISTERED
28/07/1977	148	GOODFELLOW	RD	R318650	280590016	PUC	PDI	PT LT 11 CON 12 N MONAGHAN PTS 23 & 24 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	2228	020020198000000	L17-1557,36597,36598	Both	Yes	REGISTERED
	152				280590015			PT LT 11 CON 12 N MONAGHAN PTS 19 & 20 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	527	020020198040000	L17-1557,36597,36598	Both	Yes	REGISTERED
	154				280590014			PT LT 11 CON 12 N MONAGHAN PTS 17 & 18 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	523	020020198060000	L17-1557,36597,36598	Both	Yes	REGISTERED
	156				280590013			PT LT 11 CON 12 N MONAGHAN PTS 15 & 16 45R2534 ; S/T R312287,R318649,R318650 ; PETERBOROUGH	516	020020198080000	L17-1557,36597,36598	Both	Yes	REGISTERED
	158				280590012			PT LT 11 CON 12 N MONAGHAN PTS 13 & 14 45R2534 ; S/T R312287,R318649,R318650,R457510E PETERBOROUGH	1798	020020198100000	L17-1557,36597,36598	Both	Yes	REGISTERED
	160				280590011			PT LT 11 CON 12 N MONAGHAN PTS 11 & 12 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	1773	020020198120000	L17-1557,36597,36598	Both	Yes	REGISTERED
	162				280590010			PT LT 11 CON 12 N MONAGHAN PTS 9 & 10 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	505	020020198140000	L17-1557,36597,36598	Both	Yes	REGISTERED
	164				280590009			PT LT 11 CON 12 N MONAGHAN PTS 7 & 8 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	500	020020198160000	L17-1557,36597,36598	Both	Yes	REGISTERED
	166				280590008			PT LT 11 CON 12 N MONAGHAN PTS 5 & 6 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	498	020020198180000	L17-1557,36597,36598	Both	Yes	REGISTERED
	170				280590007			PT LT 11 CON 12 N MONAGHAN PTS 1, 2, 43 45R2534 ; S/T R312287,R318649,R318650 PETERBOROUGH	9754	020020198220000	L17-1557,36597,36598	Both	Yes	REGISTERED
06/02/1978		APPLEWOOD	CRT			City	PUC/PDI	Firstly parts Blk Bof Rplan 291 designated as parts 1,6,7,12,13,18,19,23,24,42,48,49,57,58, 69, 70 & 72 on 45R2883; secondly parts Blk A plan M-2 designated Parts 28, 38 35 36 41 43 47 50 & 75 of			easement for Sanitary,water electrical	Both	Yes	UNREGISTERED
15/07/1980	9	CLAUDETTE	CRT	R362381	280610021	PUC		PT LT 10, CON 13, NORTH MONAGHAN , PART 1 & 2 , 45R3670 ; S/T	20679	020080189000000	L17-9915	Both	yes	REGISTERED
19/01/1981	1391	FAIR	Ave	R369232	284740160	PUC		PLAN 299 PT LOT 56 RP 45R3355 PART 14 NRS-RR 0.17AC 62.58FR 118.33D	1551	020070616000000	L17-1551	Electric	yes	REGISTERED
19/01/1981	1403	FAIR	AVE	R369232	284740158	PUC		PT LT 56, PL 299 ; PT BLK D, PL 299 ; PT GLEN OAK AV, PL 299 , (AS CLOSED BY BY-LAW R310579); PTS 11 & 12 45R3355; S/T R355894 ; S/T R369232 PETERBOROUGH	14218	020070617100000		Electric	yes	REGISTERED
05/10/1983	470	WATER	ST	R404696	284850031	PUC		PT LT 8 S OF MURRAY ST & E OF WATER ST PL 1 TOWN OF PETERBOROUGH; PT DICKSON ST PL 1 TOWN OF PETERBOROUGH CLOSED BY BYLAW R381873 PTS 2 & 3 45R4167 ; S/T R404696 PETERBOROUGH CITY	23255	040100042000000	L17-DI-13297	Electric	yes	REGISTERED
	2185				280450070				4151	020010618250000		Electric		UNREGISTERED
01/01/1984	757	O'BRIEN	DR		284710069	PUC		PT LT 25 CONC 12 OTONABEE, PTS 1&2 PL 45R5017	17324	010010003260000	L17-5864	Electric	yes	UNREGISTERED
07/06/1985		ONTARIO HYDRO				PUC		LT 1 CONC 12, LT 44 PL 46, LTS 3,13,19,29,30,31,32,40,41 PL 6 DOURO, CON 12 LTS 6,8,9,12, CONC 13, NORTH MONAGHAN, LT 9 CONC 1 SMITH, LT 27 CONC 11, LT 24 CONC 13 OTONABEE & PT LTS 1&2&3&5 CONC 12, PT LT 5 CONC 11 DOURO & LTS 10,11,12 CONC 1 SMITH	6205		L17-6205	Electric		UNREGISTERED
01/01/1985		ONTARIO HYDRO				PUC		PT LT 21, CONC 3 PT 1 PLN 45R-5931 & PT LT 26, CONC 12 PT 1 PLN 45R-5639	11068		L17-11068	Electric		UNREGISTERED
01/01/1985	570	HILLSIDE	ST.A			PUC		PLAN 18 PT LOTS 1 AND 2 REG 2.31AC 400.00FR 252.00D	7115	60001437100000	L17-7115 (filed under FL for Flak's Property)	Electric		UNREGISTERED
29/03/1985	570	HILLSIDE	ST	R427114	284500528	PUC		PT LT 2 PL 18T (SMITH) AS IN R170922 (SECONDLY) ; PT LTS 1, 2 & 3 PL 1 8 (SMITH) AS IN R160253, R170922 (FIRSTLY), S/T R427114,R92300 ; PETERBOROUGH/SMITH-ENNISMORE-LAKEFIELD	49501	060001437100000		Electric	yes	REGISTERED
17/12/1985	2385	KAWARTHA HEIGHTS	BLVD	LT13953	280450012	PUC		PCL 7-18 SEC 45-C12-NMO-PET; PT LT 7 CON 12 (NORTH MONAGHAN) PTS 11 & 12, 45R5704, S/T PT 12, 45R5704 IN FAVOUR OF PTS 9 & 10, 45R5704 AS IN LT13959, T/W PT 10, 45R5704 AS IN LT13959, S/T PT 2, 45R5706 IN FAVOUR OF PTS 9, 10, 13, 14, 15 & 16,	22354	020010107760000	L17-9916	Electric	yes	REGISTERED
	2387				280450011			PCL 7-17 SEC 45-C12-NMO-PET; PT LT 7 CON 12 (NORTH MONAGHAN) PTS 13 & 14, 45R5704, S/T PT 14, 45R5704 IN FAVOUR OF PTS 15 & 16, 45R5704 AS IN LT13955, T/W PT 15, 45R5704 AS IN LT13955, S/T PT 4, 45R5706 IN FAVOUR OF PTS 9, 10, 11, 12, 15 & 16, 45R5706 AS	22324	020010107780000		Electric	yes	REGISTERED
21/05/1986	300	HUNTER	ST	R446749	281330080	PUC		PT BLK V PL 1A VILLAGE OF ASHBURNHAM AS IN M33072; PT BLK A PL 16A VILLAGE OF ASHBURNHAM AS IN M276799 & M32124; BLK A PL 25A VILLAGE OF ASHBURNHAM; PT BLK U PL 1A VILLAGE OF ASHBURNHAM AS IN M32124, M32846 & M42164; PT LT 52 PL 25A VILLAGE OF ASHBURNHAM	23415	040140060000000	L17-10075 ROTARY PARK	Electric	yes	REGISTERED
16/10/1986	1751	WATER	ST	R456025	281290112	PUC		PT LT 21 CON 3 (SMITH), PT 3 45R5438; LTS 4, 5 & 6 RCP 271; LTS 1-13 AND ROAD ALLOWANCE PL 75T (SMITH); S/T R456025 ;	51987	050140054500000		Both	yes	REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
01/01/1986	1127	CHEMONG (towerhill reservoir)	RD		284500477	PDI		PT S 1/2 LT 3	22664	050060035000000	L17-EA-10826 & L17-28443 TOWERHILL RESERVOIR	Both	No	UNREGISTERED
01/01/1987	1125	HIGH	ST		280660126	PUC		PT LT 18 PL 11Q N MONAGHAN PTS 6 TO 8, 28 & 31 45R463; S/T & T/W R371711 ; PETERBOROUGH	728	020050181030000	L17-11166	Electric		UNREGISTERED
	1127				280660125			PT LT 18 PL 11Q N MONAGHAN PTS 9 TO 11, 27 & 32 45R463; S/T & T/W R396896 ; PETERBOROUGH	745	020050181040000		Electric		UNREGISTERED
	1129				280660124			PT LT 18 PL 11Q N MONAGHAN PTS 12 TO 14, 26 & 33 45R463; S/T & T/W R371164 ; PETERBOROUGH	755	020050181050000		Electric		UNREGISTERED
	1131				280660123			PT LT 18 PL 11Q N MONAGHAN PTS 15 TO 17, 25 & 34 45R463; S/T & T/W R642250 ; PETERBOROUGH	768	020050181060000		Electric		UNREGISTERED
	1133				280660122			PT LT 18 PL 11Q N MONAGHAN PTS 18 TO 20, 24 & 35 45R463; S/T & T/W R640634 ; PETERBOROUG	776	020050181070000		Electric		UNREGISTERED
	1135				280660121			PT LT 18 PL 11Q N MONAGHAN PTS 21, 22 & 23 45R463; S/T & T/W R406964 ; PETERBOROUGH	6712	020050181080000		Electric		UNREGISTERED
01/01/1987	1182	GREENCREST	DR	R201943	280380289	PUC		PT LT 10 CON 13 (N MONAGHAN) AS IN R629723 ; PETERBOROUGH	11123	020070009000000	L17-11123	Electric	yes	REGISTERED
02/03/1987	1488	WILDLARK	DR	LT17026	284740143	PUC		PCL 23-1, SEC 45M91 ; LT 23, PL 45M91 ; S/T LT17026	13885	020070611140000		Electric	yes	REGISTERED
	1492				284740142			PCL 24-1, SEC 45M91 ; LT 24, PL 45M91 ; S/T LT17026	12945	020070611130000		Electric	yes	REGISTERED
24/03/1987	343	WALLIS	DR	R463534E	284760069	PUC	THE CITY OF PETERBOROUGH	PT LT 10, CON 13 (NORTH MONAGHAN), PTS 1 & 3 45R6165 ; S/T R463534E PETERBOROUGH	19238	020070080020000	L-17-WA-SS629	Electric	yes	REGISTERED
27/03/1987	1571	HETHERINGTON	DR	R463697	284110185	PUC		PT LTS 19, 20 & 21 CON 3 (SMITH) & PT RDAL BTN LTS 18 & 19 CON 3 (SMITH) AS CLOSED BY T159T2, AS IN R83294, T15474, T15859, EXCEPT PTS 1 & 2, 45R5930 ; S/T R463697 ; SMITH-ENNISMORE-LAKEFIELD (AMENDED 27/0 5/02 BY LR # 4)	21272	050140061050000		Electric	YES	REGISTERED
27/03/1987	3743	WATER	ST	R463697	281290111	PUC		PT LT 21 CON 3 (SMITH) ; PETERBOROUGH	22975	050140061000000		Electric	Yes	REGISTERED
10/09/1987	501	TOWERHILL	RD	R474062	284500529	PUC		CONSOLIDATION OF VARIOUS PROPERTIES PT LT 3, CON W COMMUNICATION RD, (SMITH), PTS 1,2 & 3, PL 45R11755, S/T R474062, R613616, T/W LT74202, LT74695; AND PT 1, PL 45R5293, T/W R420903 ; PETERBOROUGH	49516	060001415250000	L17-11126	Both	yes	REGISTERED
17/08/1988	235	LISBURN	ST	R492231	284680067	PUC		PT BLK D PL 136 PETERBOROUGH CITY PT 4, 45R4354 ; S/T R492231 PETERBOROUGH CITY	22052	040190042100000		Electric		REGISTERED
27/09/1988	765	O'BRIEN	DR	R494967E	284710068	PUC	THE CITY OF PETERBOROUGH	PT LT 25 CON 12 OTONABEE PTS 1-4 45R6953 ; S/T R393534,R494967E PETERBOROUGH CITY	22849	010010003240000		Electric	yes	REGISTERED
01/01/1988	775	TECHNOLOGY	DR		284710097	BELL	PDI	CONSOLIDATION OF VARIOUS PROPERTIES PT LT 25 CON 12 (OTONABEE), PT 1 45R12875 AND PTS 8, 9 & 10 45R4302 EXCEPT PT 1 45R5448, S/T R385850, S/T R393534, S/T R617127 ; PETERBOROUGH ; PT LT 25 CON 12 (OTONABEE), PT 1, 45R5448 AND PTS 5 & 6, 45R4302 AND AS IN	12107	010010004010000	L17-12107	Both	Yes	REGISTERED
17/08/1988		ARMOUR	RD	492231		PUC (PDI)		Armour/Whitaker/Moir 44kv line - Pt Parcel C-4 of Sect 45-136-PETdesign Pt 1 of 45R6940; Pt Blk D of 136 design as Pt 3 of 45R6940	11996		L17-11996	Electric	Yes	REGISTERED
01/01/1989	570	LANSDOWNE	ST		280790064	PUC		PT PKLT 1 LT 13, CON 12 N MONAGHAN PT 1&2 PL 45R7116	22756	30160007000000	L17-12795 (filed under HE)	Electric	Yes	UNREGISTERED
	598				280790061			PT PKLT 1 LT 13, CON 12 N MONAGHAN PT 1&2 PL 45R7116	19208	30160008000000		Electric	Yes	UNREGISTERED
01/01/1989	911	ARMOUR	RD		284660005	PUC	PDI	45R7317 Part of Parcel A-9 in the Register for Section 45-136-PET designated as Part 2 & 3 on 45R7317	12426		L17-12426	Electric	yes	UNREGISTERED
01/01/1989	2558	FOXMEADOW	RD	LT29298	284540022	PUC		PCL 7-1 SEC 45M121; LT 7 PL 45M121 PETERBOROUGH CITY ; PETERBOROUGH CITY	12797	040120730560000	L17-12797	Electric	yes	REGISTERED
01/02/1989	781	O'BRIEN	DR	R502380E	284710066	PUC	THE CITY OF PETERBOROUGH	PT LT 25 CON 12 OTONABEE PTS 8 & 9 45R6953 ; S/T R393534,R502380E PETERBOROUGH CITY	22460	010010003210000		Electric	yes	REGISTERED
05/05/1989	1610	FIRWOOD	CRES	LT26914	284720069	PUC		PCL 9-1 SEC 45-C13-NMO-PET; PT LT 9 CON 13 N MONAGHAN, PTS 11 & 12, 456214, EXCEPT PT 2, 45R7322, T/W PT 2, 45R3619 AS IN R260402 ; S/T LT26914 PETERBOROUGH, 45R5389	23142	020070649200000	L17-12533	Both	yes	REGISTERED
04/10/1989	2562	FOXMEADOW	RD	LT29298	284540023	PUC		PCL 8-1 SEC 45M121; LT 8 PL 45M121 PETERBOROUGH CITY ; S/T LT29298 PETERBOROUGH CITY	19770	040120730570000		Electric	yes	REGISTERED
21/11/1989	835	STEWART	DR	LT30194	281420378	PUC		PCL 1-1 SEC 45M129; BLK 1 PL 45M129 PETERBOROUGH CITY ; S/T LT30194 PETERBOROUGH CITY	21258	010010100000000	L17-13029	Both	yes	REGISTERED
14/03/1990	205	LISBURN	ST	R526063	284660044	PUC		PT BLK E PL 136 PETERBOROUGH AS IN R454717 ; S/T R111245,R526063 ; PETERBOROUGH	19536	040190031000000	L17 AR 12426	Electric	yes	REGISTERED
06/04/1990	543	MCCREA	DR	R527385	284500114	PUC		PT LT 3, PL 18, SMITH, AS IN R253809 ; S/T R527385 SMITH-ENNISMORE-LAK EFIELD	49496	060001451000000		Both	yes	REGISTERED
25/07/1990	450	ASHBURNHAM	DR	R533259	284710070	PUC		PT LT 25 CON 12 OTONABEE PT 2 45R5723 ; S/T R393534, R533259 PETERBOROUGH CITY	5250	010010003250000		Electric	yes	REGISTERED
20/11/1990	570	LANSDOWNE	ST	R538992	280790055	PUC	THE CITY OF PETERBOROUGH	PT OF PARK LT 1 IN LT 13 CON 12 (N MONAGHAN) PTS 2 & 7 PL 45R12105, EXCEPT PT 3 PL 45R12393, EXCEPT PTS 1 & 2 PL 45R14321, S/T EASEMENT IN R538992, T/W AN EASEMENT OVER PTS 3, 6 & 7 PL 45R12393 AS IN LT105155 ; PETERBOROUGH	22756	030160007000000		Electric		REGISTERED
					280790064								yes	REGISTERED
01/01/1991	1778	SHERBROOKE	ST		280370178	PUC		PT LT 6 CON 13 NORTH MONAGHAN AS IN R339262 ; EXCEPT PTS 1, 2 & 3 PL 45R4988 & EXCEPT PT 5 PL 45R12912 ; S/T Q14612 AS ASSIGNED BY R413382 ; PETERBOROUGH/CVN-MIL-NMO	22682	020070041010000	L17-23244	Electric	yes	UNREGISTERED
01/01/1991	1565	MONAGHAN	RD	R413382	280630107	PUC		PT LT 12 CON 13 (NORTH MONAGHAN), PTS 1 & 2 45R8856; T/W R546219, R546220; S/T R546218 ; S/T R453451 PETERBOROUGH	22972	020130002100000	L17-24321	Electric	yes	REGISTERED
23/03/1993	192	ANTRIM	ST	R578577	281070307	PUC		PT LTS 3 & 4 S OF PARKHILL RD & W OF GEORGE ST AND PT LT 3 N OF ANTRIM ST LYING E OF THE WEST LIMIT OF PT 5 PL 45R9222 S/T R578577 ; PETERBOROUGH	47677	040080082000000	L17-27196	Both	Yes	REGISTERED
23/03/1993	33	ARGYLE	ST	R578577	281150014	PUC		PT LT 1 CON EAST OF COMMUNICATION ROAD (SMITH) PT 2 45R9223; PT LTS 1, 2, 3 & 4 PL 74 PETERBOROUGH AS IN R219902; PT LT 1 PL 45 PETERBOROUGH PT 5 45R10976 ; S/T R578577 ; S/T EASEMENT IN FAVOUR OF PT LTS 2, 3 & 4 PL 74 OVER PTS 1 & 2 45R11811 AS IN LT7543	22267	050080011100000	L17-27196	Both	yes	REGISTERED
23/03/1993	725	ARMOUR	RD	R578577	281310077	PUC		BLK P PL 1A VILLAGE OF ASHBURNHAM; PT BLK N PL 1A VILLAGE OF ASHBURNHAM; PT BLK M PL 1A VILLAGE OF ASHBURNHAM PTS 1 TO 7 45R1284; PT LT 31 CON 13 OTONABEE; PT LT 32 CON 13 OTONABEE PT 1 45R9260 LYING N OF THE S LIMIT OF DUFFERIN ST ; S/T R578577 PETERBORO	48588	040180020000000	L17-27196 & L17-9917 (ROTARY PK)	Both	yes	REGISTERED
23/03/1993	183	AUBURN	ST	R578577	284640079	PUC		PT LTS 2, 3, 4, 5 & 6 PL 19G(DOURO), PT 3 PL 45R9224 EXCEPT PTS 1, 2, 3, 4, 5 & 6 PL 45R11864 S/T R578577 ; PETERBOROUGH	23328	040190038000000	L17-27196	Both	yes	REGISTERED
					284660001			PT LT 2 CON 12 DOURO; PT LT 6 PL 19 TOWN OF PETERBOROUGH; PT LT 7 PL 19 TOWN OF PETERBOROUGH PT 1 45R9262 ; S/T R578577 PETERBOROUGH CITY			L17-27196	Both	yes	REGISTERED
								PT LT 1 CON 13 DOURO PT 1 45R9259 ; S/T R578577			L17-27196	Both	No	REGISTERED
23/03/1993	622	AYLMER	ST	R578577	281070121	PUC		PT LT 8 PL 2 TOWN OF PETERBOROUGH; PT LT 10 PL 2 TOWN OF PETERBOROUGH; PT LT 12 PL 2 TOWN OF PETERBOROUGH PT 3, 45R9222; PT LT 11 PL 2 TOWN OF PETERBOROUGH PT 2, 45R1193 & PT 3, 45R9222, S/T INTEREST IN R119003 IF ANY ; S/T R578577 PETERBOROUGH CITY	13866	040070071010000	L17-27196	Both	Yes	REGISTERED
23/03/1993	575	BONACCORD	ST	R578577	280860110	PUC		LTS 22 TO 27 PL 34(PETERBOROUGH); PT LT 20 IN TWP LT 13 CON 13(N MONAG HAN) AS IN M39954, R118652 & R118652 EXCEPT PTS 3,4 PL 45R7027 & PT 1 PL 45R12097; PT LT 20 IN TWP LT 13 IN CON 13, PT LT 21 PL 34(PETERBOR OUGH) & PT PETERBORO CREEK PL 34(PETERBOROUG	23169	030010024000000		Both		REGISTERED
23/03/1993	1270	DAFOE	DR	R578577	284780215	PUC		PT LT 5 CON 11 DOURO PT 3 45R9209 ; S/T R578577 PETERBOROUGH CITY	23108	040190226000000	L17-27196	Both	Yes	REGISTERED
23/03/1993	498	DONEGAL	ST	R578577	280880100	PUC		PT LTS 18 & 19 S/S MCDONNEL ST & W/S GEORGE ST PL 1 PETERBOROUGH PT 2 45R9246 ; S/T R578577 PETERBOROUGH	21423	030060077050000	L17-27196	Both	Yes	REGISTERED
					280880163			PT LTS 16 & 17 S OF MCDONNEL ST & W OF GEORGE ST PL 1 PETERBOROUGH PT 1 45R9246 ; S/T R578577 PETERBOROUGH			L17-27196	Both	No	REGISTERED
	509				280880052			PT LT 20 S/S MCDONNEL ST & W/S GEORGE ST PL 1 PETERBOROUGH AS IN R576779; PT LT 20 S/S MCDONNEL ST & W/S GEORGE ST PL 1 PETERBOROUGH AS IN M35536; PT LTS 20 & 21 S/S MCDONNEL ST & W/S GEORGE ST PL 1 PETERBOROUGH PT 3 45R9246 ; S/T R578577 PETERBOROUGH	1144	030030160000000	L17-27196	Both	No	REGISTERED
23/03/1993	240	DUBLIN	ST	R578577	281080190	PUC		PT LT 8 N OF DUBLIN ST & W OF GEORGE ST PL 1 TOWN OF PETERBOROUGH PT 2, 45R9222 ; S/T R578577 PETERBOROUGH	6482	040070061000000	L17-27196	Both	Yes	REGISTERED
	245				281080195			PT LT 9 S OF DUBLIN ST & W OF GEORGE ST PL 1 TOWN OF PETERBOROUGH PT 1, 45R9222 ; S/T R578577 PETERBOROUGH CITY	8121	040070041000000	L17-27196	Both	Yes	REGISTERED
23/03/1993	214	EDINBURGH	ST	R578577	281070317	PUC		PT LTS 5 & 6 N OF EDINBURGH ST & W OF GEORGE ST PL 1 TOWN OF PETERBOROUGH, PT LTS 4 & 5 S OF ANTRIM ST & W OF GEORGE ST PL 1 TOWN OF PETERBOROUGH BEING PT 3 45R14078 ; S/T R578577 ; PETERBOROUGH	51148	040080015000000		Both		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
23/03/1993	51	HILLIARD	ST	R578577	281150087	PUC		PT LT 1 CON EAST OF COMMUNICATION ROAD (SMITH) AS IN M40591 EXCEPT PT 3 45R626; PT LTS 11, 12, 13, 14 & 15 PL 45 PETERBOROUGH AND PT BLK H PL 18 PETERBOROUGH PTS 1 & 2 45R626; PT LT 1 CON EAST OF COMMUNICATION ROAD (SMITH) PT 3 45R9223 ; S/T R578577 PETER	23163	050090091000000	L17-27196	Both	Yes	REGISTERED
23/03/1993	124	HUNTER	ST	R578577	281340090	PUC		PT LT 30 CON 13 OTONABEE PT 1, 45R9263, S/T ORNAMENTAL RESERVES PL 1A ; S/T R578577 PETERBOROUGH CITY	22580	040150038000000	L17-27196	Both	Yes	REGISTERED
23/03/1993	239	LISBURN	ST	R578577	284640078	PUC		PT LTS 1, 2, 3, 4, & 5 PL 19G(DOURO), PTS 1, 2, 3, 4, 5 & 6 PL45R11684 S/T R578577 ; PETERBOROUGH	51167	040190038100000		Both		REGISTERED
23/03/1993	480	MCDONNEL	ST	R558047	280860002	PUC		PT PK LT 16 & 17 IN TWP LT 13 CON 13(NORTH MONAGHAN), PT LTS 44 & 45 & LT 46 PL 34(PETERBOROUGH), BEING PTS 3 & 4 PL 45R9234; PT BLK B PL 121(PETERBOROUGH), PT PK LT 17 IN TWP LT 13 CON 13(NORTH MONAGHAN), PT LTS 44 & 45 PL 34(PETERBOROUGH), PT PETERBORO	23039	030010105100000		Both		REGISTERED
				R578577	280860112									REGISTERED
23/03/1993	518	PARK	ST	R578577	280880036	PUC		PT LT 22 S/S MCDONNEL ST & W/S GEORGE ST PL 1 PETERBOROUGH PT 4 45R9246 ; S/T R578577 PETERBOROUGH	1021	030030098000000	L17-27196	Both	No	REGISTERED
23/03/1993	170	PARKHILL	RD	R578577	281140033	PUC		PT LT 1 PL 18 , PT 1 45R2374; PT LT 1 PL 18, PT 2, 3, 45R6004; PT LTS 1 TO 6 PL 18, PT LTS 15 & 16 CON 1 (SMITH) & PT LT 1 CON ECR	22838	050010004010000	L17-27196	Both	Yes	REGISTERED
	555				280860109			PT LT 20 IN TWP LT 13 CON 13(N MONAGHAN), PT 1 PL 45R12097 T/W AN EASE OVER PT LT 20 IN TWP LT 13 CON 13(N MONAGHAN) & PT PETERBORO CREEK PL 34(PETERBOROUGH) BEING PT 2 PL	22429	030010022000000	L17-27196	Both	No	REGISTERED
	610				284600031			BLK A PL242; PT LT 6 PL15T (SMITH) AS IN R203739, R100549 & PTS 3 & 5 45R9236; PT LT 1 CON WEST OF COMMUNICATION ROAD	23409	020140001000000	L17-27196	Both	No	REGISTERED
23/03/1993	501	RUBIDGE	ST	R578577	281050122	PUC		PT LT 14 SOUTH OF MCDONNEL ST AND WEST OF GEORGE ST PL 1 TOWN OF PETERBOROUGH; PT LT 15 SOUTH OF MCDONNEL ST AND WEST OF GEORGE ST PL 1 TOWN OF PETERBOROUGH; PT LT	50230	030060123000000	L17-27196	Both	No	REGISTERED
					281050156			PT LT 12, NORTH OF MURRAY STREET AND WEST OF GEORGE STREET, PL 1 TOWN OF PETERBOROUGH; PT LT 13, NORTH OF MURRAY STREET AND WEST OF GEORGE STREET, PL 1 TOWN OF PETERBOROUGH PT 3 45R9235; PT LT 12 NORTH OF MURRAY	50230	030060123000000	L17-27196	Both	No	REGISTERED
23/03/1993	476	STEWART	ST	R578577	281050129	PUC		PT LT 10, SOUTH OF MURRAY STREET AND WEST OF GEORGE STREET, PL 1 TOWN OF PETERBOROUGH; PT LT 11, SOUTH OF MURRAY STREET AND WEST OF GEORGE STREET, PL 1 TOWN OF	21383	030070078000000		Both		REGISTERED
23/03/1993	902	WATER	ST	R578577	284640002	PUC		PT LT 4 BLK C PL 14 PETERBOROUGH CITY; PT LT 5 BLK C PL 14 PETERBOROUGH CITY; PT LT 6 BLK C PL 14 PETERBOROUGH CITY; PT LT 7 BLK C PL 14 PETERBOROUGH CITY; PT LT 8 BLK C PL 14	22358	050110095000000	L17-27196	Both	Yes	REGISTERED
23/03/1993	642	WHITAKER	ST	R578577	284640043	PUC		PT LT 4 CON 12 DOURO PTS 1 & 2, 45R9209, LYING BTN N/W LIMIT OF BLK M & E LIMIT OF LT 7 PL 12G ; S/T R578577,R609477E	48666	040190192500000	L17-27196	Both	No	REGISTERED
					284650001			PT LT 2 CON 12 DOURO; PT LT 3 CON 12 DOURO PT 1 45R9209; PT BLK C PL 136 PETERBOROUGH CITY PT 20 45R6564 S/T M16786			L17-27196	Both	No	REGISTERED
					284780193			PT LT 4 CON 12 DOURO; PT LT 5 CON 12 DOURO PT 2 45R9209 LYING E OF THE N LIMIT OF ARMOUR RD AND W OF RDAL BTN 11 &			L17-27196	Both	No	REGISTERED
09/07/1993	4620	GUTHRIE	DR	R583253	280750075	PUC		PT LT 24, CON 14 (TWP OF OTONABEE) , PT 4 45R6625A; S/T DEBTS IN R481866; S/T SPSL INTEREST IN R481866; S/T R481376 ; S/T R583253 PETERBOROUGH	20670	010021002010000		Both	yes	REGISTERED
01/01/1993	4620	GUTHRIE	DR	583253		PUC		PT LT 24 CONC 14 OTONABEE, PTS 1 & 3 PL 45R-9796	20670	10021002010000	L17-26042 (filed under otonabee river)	Both	Yes	REGISTERED
01/01/1994	395	PLASTICS	RD	R336458E	281430060	PUC		PT LT 24 CON 13 (OTONABEE) PTS 1 TO 7 PL 45R2050: EXCEPT PTS 2 & 3 PL 45R11188 AND PTS 1 & 2 PL 45R12910; S/T S14790 AS ASSIGNED BY R413382,S/T R336458E ; PETERBOROUGH	28639	010010014050000	L17-28639	Electric	Yes	REGISTERED
06/06/1994	721	ASHBURNHAM	DR	R596884	280970312	PUC		PT FORCED RD OTONABEE (AKA SLANT RD) ; PT LT 26 CON 13(OTONABEE) ; PT OTONABEE PLACE CLOSED BY BYLAWS R227529, R475686 & R661976 ; PT LTS 1 & 2 PL 24S(OTONABEE), PTS 1 TO 5 PL 45R4763 & PTS 1 & 2 PL 45R11467, S/T R596884 & LT66210 ; PT LT 26 CON 13(OTONAB	22431	010010095000000	L17 AS 28353	Both	Yes	REGISTERED
31/01/1995	760	TECHNOLOGY	DR	R605959	281410035	PUC		PT LT 25 CON 12 OTONABEE PTS 1 & 2 45R3761 ; S/T R605959 PETERBOROUGH CITY	22745	010010031050000	L17-29575	Both	Yes	REGISTERED
12/12/1995	775	TECHNOLOGY	DR	R617127	284710097	PUC		CONSOLIDATION OF VARIOUS PROPERTIES PT LT 25 CON 12 (OTONABEE), PT 1 45R12875 AND PTS 8, 9 & 10 45R4302 EXCEPT PT 1 45R5448, S/T R385850, S/T R393534, S/T R617127 ; PETERBOROUGH ; PT LT 25 CON 12 (OTONABEE), PT 1, 45R5448	23362	010010004010000		Both	Yes	REGISTERED
12/12/1995	821	O'BRIEN	DR	R617127	284710096	PUC		PT LT 25 CON 12 (OTONABEE), PT 2 45R12875, PT 1 45R583, PTS 7 & 8 45R1452, PTS 15 & 16 45R4302 EXCEPT PTS 2, 7, 9, 11 & 13 45R5723, S/T 393534, S/T R617127 ; PETERBOROUGH	23189	010010003100000		Both	Yes	REGISTERED
31/03/1998					281210074								Yes	REGISTERED
14/12/1998	300	FRANMOR	DR	LT61961A	287630001 - 287630011	PUC		UNIT 1-11, LEVEL 1, PETERBOROUGH STANDARD CONDOMINIUM PLAN NO. 63 AND ITS APPURTENANT INTEREST. THE DESCRIPTION OF THE CONDOMINIUM PROPERTY IS: PETERBOROUGH CONDOMINIUM PLAN NO. 50, PETERBOROUGH CONDOMINIUM PLAN	23292	040190126250000	L17-35555	Electric	No	REGISTERED
														REGISTERED
06/07/1999	300	FRANMOR	DR	LT65868	287630012 - 287630031	PUC		UNIT 12-31, LEVEL 1, PETERBOROUGH STANDARD CONDOMINIUM PLAN NO. 63 AND ITS APPURTENANT INTEREST. THE DESCRIPTION OF THE CONDOMINIUM PROPERTY IS: PETERBOROUGH CONDOMINIUM PLAN NO. 50, PETERBOROUGH CONDOMINIUM PLAN	23292	040190126250000	L17-35555	Electric		REGISTERED
													No	REGISTERED
24/02/2000	1414	SHERBROOKE	ST	LT69885	28472-0989 (LT)	PDI		PT LT 8, CONC 13, PT 1&2 PL 45R-11582	36609	020070702000000				REGISTERED
					28472-0394 LT							Electric	No	REGISTERED
16/02/2000		HARGROVE	TL	LT72041	284570231	PDI		In the City of Peterborough (formerly in the Township of Otonabee), County of Peterborough, being Part of Lot 29, Concession 12, designated as Part 1 and Part 2 on Plan 45R-11698	47727	070005195700000	L17-36608	Electric		REGISTERED
					284570228									REGISTERED
					284570227									REGISTERED
					284570224									REGISTERED
					284570223									REGISTERED
					284570224									REGISTERED
					284570227									REGISTERED
					284570228									REGISTERED
					284570231								yes	REGISTERED
16/02/2000	2334	MARSDALE	DR	LT72040	284570342	PDI		In the City of Peterborough (formerly in the Tow Otonabee), County of Peterborough, being Part of Lot 1, Registered Plan No. 5, designated as Part 3 on Plan 45R-11698	50708	070005179780000		Electric		REGISTERED
					284570034									REGISTERED
					284570342								Yes	REGISTERED
04/04/2000	300	FRANMOR	DR	LT73102	284770115	PDI		Part of Lots 41 and 42, Registered Plan No. 6G, Citysf Peterborough, being part of Parcel P.I.N. 28477-0112ar) designated as Parts 2, 3, 4, 7, 9 and 10 on Plan 45R-11728, for the Land Titles Division of Peterborough (No. 45).	23292	040190126250000	L17-35555	Electric	yes	REGISTERED
05/09/2000	286	LINDEN LEE	RD	LT77861	284720566	PDI		PTS OF LT 8 CON 13(N MONAGHAN), PTS 9, 10, 11, 13 & 14 PL 45R11323, PTS 9, 10 & 13 CLOSED BY BYLAW R656998, SUBJECT TO AN EASEMENT IN FAVOUR OF THE CORPORATION OF THE CITY OF PETERBOROUGH OVER PTS 10, 13 & 14 PL 45R11323 AS IN LT67728,	22543	020070030100000	L17-36797	Electric	yes	REGISTERED
					284720564			PT LT 8 CON 13(N MONAGHAN), PT 12 PL 45R11323 ;				Electric		REGISTERED
	296				284720563			PT LT 8 CON 13(N MONAGHAN), PT 6 PL 45R11323, SUBJECT TO AN EASEMENT IN FAVOUR OF PDI OVER PT 3 PL 45R11843 AS IN LT77861 ; PETERBOROUGH	22282	020070030150000		Electric		REGISTERED
					284720565			PTS OF LT 8 CON 13(N MONAGHAN), PTS 7 & 8 PL 45R11323, PT 8 CLOSED BY BYLAW R656998, SUBJECT TO AN EASEMENT IN FAVOUR OF PDI OVER PT 3 PL 45R11843 AS IN LT 77861 ;				Electric		REGISTERED
	306				284720499			PT LT 8 CON 13(N MONAGHAN), PT 3 PL 45R11323, SUBJECT TO AN EASEMENT IN FAVOUR OF PDI OVER PT 2 PL 45R11843 AS IN LT77861 ; PETERBOROUGH	21845	020070030200000		Electric		REGISTERED
					284720567			PTS OF LT 8 CON 13(N MONAGHAN), PTS 4 & 5 PL 45R11323, PT 5 CLOSED BY BYLAW R656998, SUBJECT TO AN EASEMENT IN FAVOUR OF PDI OVER PT 2 PL 45R11843 AS IN LT77861 ;				Electric		REGISTERED
	316				284720494			PT LT 8 CON 13(N MONAGHAN), PT 2 PL 45R11323, SUBJECT TO AN EASEMENT IN FAVOUR OF PDI OVER PT 1 PL 45R11843 AS IN	[illegible]	[illegible]		Electric		REGISTERED

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	316				284720498			EASEMENT I N FAVOUR OF PDI OVER PT 1 PL 45R11843 AS IN LT77861 ; PETERBOROUGH	21832	020070030250000		Electric		REGISTERED
08/09/2000	897	ARMOUR	RD	LT77992	284660017	PDI		PT LT 1 CON 12 DOURO PTS 7, 8, 9, 10, 11, 12 45R6077, SUBJECT TO AN EA SEMENT IN FAVOUR OF PDI OVER PTS 7 & 10, PL 45R6077 AS IN LT77992 ; PETERBOROUGH	20072	040190188000000	L17 AR 12426 Auburn Bible Chapel	Electric	Yes	REGISTERED
	911				284660005			PCL A-4 SEC 45-P136-PET; PT BLK A PL 136 PETERBOROUGH CITY PTS 6, 14, 15, 16 45R6077; T/W PTS 5, 6, 7, 8, 9 45R4389 AS IN LT8563 ; S/T LT16814, SUBJECT TO AN EASEMENT IN FAVOUR OF PDI OVER PT 15 PL 45R6077 AS IN LT77992 ; PETERB	22758	040190003010000		Electric	yes	REGISTERED
23/01/2001	300	FRANMOR	DR	LT81522	287630049	PDI		Part of Lots 40and 41, Registered Plan No. 6G, City of Peterborough, being part of Parcel P.I.N. 28477-0121 • designated as Parts 2, 3, 4, and 6 on Plan 45R-11980, for the Land Titles Division of Peterborough	23292	040190126250000	L17-35555	Electric		REGISTERED
					287630032									REGISTERED
					287630033									REGISTERED
					287630034									REGISTERED
					287630035									REGISTERED
					287630036									REGISTERED
					287630037									REGISTERED
					287630038									REGISTERED
					287630039									REGISTERED
					287630040									REGISTERED
					287630041									REGISTERED
					287630042									REGISTERED
					287630043									REGISTERED
					287630044									REGISTERED
					287630045									REGISTERED
					287630046									REGISTERED
					287630047									REGISTERED
					287630048									REGISTERED
					287630049									REGISTERED
09/01/2002	725	ARMOUR	RD	LT92627	280670051	PUC		Part of Lot 12, Concession 12, geographic Township of North Monaghan, City of	48588	040180020000000		Both		REGISTERED
01/01/2002	1375	BOBOLINK	CRT	0077861	280380368	PDI		PCL 16-1 SEC 45M146; LT 16 PL 45M146 ; PETERBOROUGH see also 45R11843	55421	020070578030000	L17 BO 55421	Electric	yes	REGISTERED
23/09/2003	873	HIGH	ST	LT116469	280700092	PDI		PT LT 11 PL 11Q (NORTH MONAGHAN), PTS 1, 2 & 3, 45R14069 ; S/T EASEMEN T IN FAVOUR OF PDI OVER PT 3, 45R14069 AS I N LT116469 ; PETERBOROUGH	22864	020030092000000		Electric		REGISTERED
					280700079								yes	REGISTERED
23/09/2003	595	LANSDOWNE	ST	LT116468	280780007	PDI		PT PK LT 20, LT 13, CON 11, NORTH MONAGHAN, AS IN R620687 ; PETERBOROUGH ; S/T EASEMENT IN FAVOUR OF PDI OVER PART 1 ON 45R12582 AS IN LT116468	22247	010090070000000	L17-41415	Electric		REGISTERED
	637				280710011			PT LT 1 PL 17Q NORTH MONAGHAN; PT LTS 1 TO 3, 84 TO 94, PT LANE PL 58Q NORTH MONAGHAN PTS 4, 7, 10 & 11 45R3439; S/T R340536, R332740 AND S/T R363603; T/W R363605 ; S/T EASE OVER PT 2, 45R12580 AS IN LT11647 2 ; PETERBOROUGH	23226	010120112000000		Electric	Yes	REGISTERED
	645				280710076			PT LTS 1, 2, 3, 4 & 5 PL 17Q(NORTH MONAGHAN), ALL OF LTS 42 TO 54 AND LTS 61 TO 82 AND PT LTS 3 TO 8, 33, 34, 38 TO 41 AND PT LTS 55 TO 60 A ND PT LTS 83 TO 94, PT OF BORDEN AVENUE (CLOSED BY BY-LAW R366362), PT OF BELL AVENUE (CLOSED BY	23365	010120113000000		Electric		REGISTERED
01/01/2004	169	LANSDOWNE	ST E	5557	280970269	PDI		PT LT 26 CON 13 (OTONABEE) PT 6 PL 45R	22413	010010208000000	L17-43557	Electric	Yes	REGISTERED
02/07/2004	173	LANSDOWNE	ST E	PE5557	280970330	PDI		CONSOLIDATION OF VARIOUS PROPERTIES : PT LT 26 CON 13 (OTONABEE) PTS 4, 5, 6 & 7 PL 45R12985 , S/T EASEMENT IN FAVOUR OF PDI OVER PTS 6 & 7 PL 45R12985 AS IN PE5557 , S/T EASEMENT & ROW OVER PTS 4, 6 & 7 PL 45R12985 IN FAVOUR OF	47580	010010206000000	L17-43746	Electric	Yes	REGISTERED
26/10/2004	995	CRAWFORD	DR	PE11017	280560326	PDI		PT LT 10 CON 10 N MONAGHAN BEING PTS 1 & 4 45R13104, S/T EASEMENT OVER PTS 1 & 4 45R13104 AS IN PE11098 S/T EASEMENT OVER PTS 1 & 4 45R13104 AS IN PE 11017 ; PETERBOROUGH	22759	010130043000000	L17-43723	Electric	Yes	REGISTERED
	1049				280560304			PT LT 10, CON 10 (N MONAGHAN) DESIGNATED AS PTS 2 & 3, 45R13104 ; S/T EASEMENT OVER PTS 2 & 3, 45R13104 AS IN PE11098, PE11017 & PE13745 ; PETERBOROUGH	23073	010130045000000	L17-43723	Electric	Yes	REGISTERED
14/03/2005	107	HUNTER	ST	PE16402	281360126	PDI		PT LT 8 S OF HUNTER & E OF MARK , PL 1A VILLAGE OF ASHBURNHAM DESIGNAT ED AS PART 1 ON 45R12710, S/T EASEMENT IN FAVOUR OF PETERBOROUGH DISTR IBUTION INC. OVER PT 1 PL 45R13284 AS IN PE16402 ; PETERBOROUGH	21305	040130146000000	L17-44495	Electric	Yes	REGISTERED
31/03/2005	975	CLONSILLA	AVE	PE16986	284630344	PDI		PT LT 14, PL 22Q NORTH MONAGHAN, PT LT 11 CON 12 NORTH MONAGHAN AS IN R540745 ; S/T EASE OVER PT 1, 45R13132 AS IN PE16986 ; PETERBOROUGH	22256	020060016000000		Electric	Yes	REGISTERED
01/01/2005	985	CLONSILLA	Ave	PE18351/ PE16986		PDI		PT LT 11, CONC 12, PLN 45R13132 PT 1	44679		L17-44679	Electric	Yes	REGISTERED
01/01/2006	605	NEAL	DR	R360107E	281430061	PDI		PT LT 24 CON 13 PL 45R11188 PTS 1-4	22971	010010013640000	L17-47011	Electric		REGISTERED
				R336458E	281430061									REGISTERED
												Electric		REGISTERED
01/01/2006	573	NEAL	DR	R317455E	281430004	PDI		PT LT 24 CONC 13 OTONABEE PL 45R2640 PT 1-4	52050	10010013670000	L17-47009 & L17-47010	Electric		REGISTERED
				R372519E										REGISTERED
				R413382									Yes	REGISTERED
10/07/2007	1	VILLAGE	CRES	PE56771	287890001	PDI		PT. LT. 8 Con 11 (N Monaghan), being Parts 12 & 13, PL, 45R-13851, City of Peterborough, County of Peterborough	46955	010130111710000		Electric	Yes	REGISTERED
					287890002									REGISTERED
					287890003									REGISTERED
					287890004									REGISTERED
					287890005									REGISTERED
					287890006									REGISTERED
					287890007									REGISTERED
					287890008									REGISTERED
					287890009									REGISTERED
					287890010									REGISTERED
					287890011									REGISTERED
					287890012									REGISTERED
					287890013									REGISTERED
					287890014									REGISTERED
					287890015									REGISTERED
					287890016									REGISTERED
					287890017									REGISTERED
					287680083									REGISTERED
					287680084									REGISTERED
					287680085									REGISTERED
					287680086									REGISTERED
					287680087									REGISTERED
					287680088									REGISTERED
					287680089									REGISTERED
					287680090									REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN (Yes or NO)	REGISTERED or UNREGISTERED
12/07/2007	1421	LANSDOWNE	ST W	PE57109	280540332	PDI		PT LT 8 CON 11(N MONAGHAN), BEING PTS 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 AND 15 PL 45R13761 ; ; S/T EASEMENTS IN FAVOUR OF PTS 1 AND 16 PL 45R13761 OVER PTS 2, 3, 4, 5, 6, 7, 10, 12 AND 14 PL 45R13761 AS IN PE40133 ; S/T EASEMENT IN GROSS OVER PT, PT 12&13 PL 45R13851	23413	010130108000000	L17-48200	Electric	Yes	REGISTERED
01/01/2007	1465	LANSDOWNE	ST W	PE78349	280540341	PUC		PT LT 8 CON 11 N MONAGHAN, PT 8&12&13 45R13851, PT 1			L17-48471	Electric	Yes	REGISTERED
20/11/2007	1155	ARMOUR	RD	PE67749	284640067	PDI		PT LT 7 PL 12G DOURO AS IN R500033 ; S/T EASEMENT IN GROSS OVER PTS 1, 2, 3 & 4, 45R14232 AS IN PE67749 ; PETERBOROUGH	21594	040190206000000	L17 -48225	Electric	Yes	REGISTERED
01/01/2007	691	PARK	ST S	PE49760	280770270	PDI		PT PIN 28077-0271 (LT), PL 45Q PTS 3&4 45R13683, PE49760	48075	10070128000000	L17-48075	Electric		REGISTERED
	685				280770379									REGISTERED
	681				280770379									REGISTERED
	685				280770379					10070128000000		Electric	No	REGISTERED
	691				280770270					10070086000000		Electric		REGISTERED
13/05/2008	1	VILLAGE	CRES	PE78349	287890001	PDI		PT LT 8 CON 11 N MONAGHAN, BEING PTS 7, 8, 9, 10, 11, 12, 13 & 14 45R13851, S & E PTS 1, 2 & 3 45R14145 & PTS 1, 2 & 3 45R14294 & PTS 1 & 2 45R14465, S & E PTS 3, 4, 5, 6 & 7 PL 45R14465, T/W EASEMENTS OVER PTS 2, 3, 4, 5, 6, 7, 10, 12 & 14 45R13761 AS IN	46955	010130111710000		Electric		REGISTERED
					287890003									REGISTERED
					287890004									REGISTERED
					287890005									REGISTERED
					287890006									REGISTERED
					287890007									REGISTERED
					287890008									REGISTERED
					287890009									REGISTERED
					287890010									REGISTERED
					287890011									REGISTERED
					287890012									REGISTERED
					287890013									REGISTERED
					287890014									REGISTERED
					287890015									REGISTERED
					287890016									REGISTERED
					287890017									REGISTERED
					287680083									REGISTERED
					287680084									REGISTERED
					287680085									REGISTERED
					287680086									REGISTERED
					287680087									REGISTERED
					287680088									REGISTERED
					287680089									REGISTERED
					287680090								yes	REGISTERED
01/01/2008	1671	WATER	ST	456025	281290177	PUC		PT LT 6 PL 271 PT 1 PL 45R5991	51987	050140054500000	L17-50435	Electric	Yes	REGISTERED
16/01/2009	846	HAGGART	DR	PE95545	281400256 (LT)	PDI		PT GOVERNMENT RESERVE PETERBOROUGH ADJOINING PARKLT 20 LT 16 CON 11 N MONAGHAN; PT LT 16 PARKLT 20 CON 11 N MONAGHAN PT 1 & 4 45R8720; S/T R542070; S/T EASEMENT IN GROSS OVER PT 1 45R14668 AS IN PE95545 ; PETERBOROUGH	20842	040010004000000	L17-51216	Electric	yes	REGISTERED
14/05/2009	775	TECHNOLOGY	DR	PE101572	284710097	PDI		CONSOLIDATION OF VARIOUS PROPERTIES PT LT 25 CON 12 (OTONABEE), PT 1 45R12875 AND PTS 8, 9 & 10 45R4302 EXCEPT PT 1 45R5448, S/T R385850, S/T R393534, S/T R617127 ; PETERBOROUGH ; PT LT 25 CON 12 (OTONABEE), PT 1, 45R5448	23362	010010004010000	L17-12107	Electric	Yes	REGISTERED
01/01/2009	13	MOIR	ST	R413382	284660011	PUC		PT LT 1 CON 12 DOURO, PT 1 PL 45R9475	3362	40190005000000	L17-51722	Electric	No	REGISTERED
01/01/2010	650	CARRIAGE	LN	PE118058	284120565	PDI		PT LT 17 CON 3 SMITH PT 1&2&3&4&5 PL 45R14869	52701	60007020740000	L17-52701 (filed under HE)	Electric		REGISTERED
01/01/2010	645	LANSDOWNE	ST	PE137821	28071-0076LT	PDI		PT LT 7&8&60 AND LANE PL58Q PT 1 PL 45R14949	23365	010120113000000	L17-53025 (filed under HI)	Electric	Yes	REGISTERED
	1743			PE131609	280510210	PDI		PT LT 7 CON 11 N MONAGHAN PT 9; PL 45R14926				Electric		REGISTERED
	1755			PE131609	280510218	PDI		PT LT 7 CON 11 N MONAGHAN PT 9 PL 45R14926, PT 1 PL 45R15012	47946	10130123000000	L17-53008	Electric	Yes	REGISTERED
	1754			PE128808	280500130	PDI		PT LT 7 CON 12, PT 10 PL 45R14926	19418	020010029000000	L17-52992	Electric	Yes	REGISTERED
01/01/2010	186	ROMAINE	ST		280920208	PDI		PT BLK B PL 83 PETERBOROUGH AS IN R149068	22684	40030006000000	L17-52958	Electric	No	UNREGISTERED
01/01/2010	1875	LANSDOWNE	ST W	PE127805	284700250	PDI		PT LT 6 CON 11 NORTH MONAGHAN PT 9 PL 45R14935	52008	010130127000000	L17-53006	Electric	Yes	REGISTERED
20/08/2010	871	BREALEY	ST	PE131717	28049-0197	PDI		PT LT 5, PL 15Q (N Monaghan); PT 6, 45R14918	53026	151402001004200	L17 BR 53026	Electric	Yes	REGISTERED
01/01/2010	575	ROMAINE	ST	PE132009	280790005	PDI		PT LT 52 PL 122, PT 1, PL 45R14970	23215	30160031500000	L17-53032	Electric		REGISTERED
01/01/2010	1840	LANSDOWNE	ST W	PE126846	280490158	PDI		PT LT 4 PL 15Q N MONAGHAN, PT 11 PL 45R14935	23164	020010037000000	L17-53005	Electric	No	REGISTERED
01/01/2010	643	SPILLSBURY	DR	PE137569	280520169	PDI		PT LT 7 CONC 11 N MONAGHAN PT 1 PL 45R15079	21255	10130179000000	L17-53953	Electric	Yes	REGISTERED
01/01/2011	17	MOIR	ST	R413381	284660009	PUC		PT LT 1,2,3,5 CON 12, PT LT 5, CON 11 DOURO R445112	12100	40190007000000	L17-54046	Electric	No	REGISTERED
01/01/2012	10	SAMIS LAKEFIELD	DR	PE173185	28407-0230LT	PDI		PCL PL 2 SEC M62, BLK 16 PL M62 LKFLD	55498		L17-55498	Electric	Yes	REGISTERED
					284070503									REGISTERED
					284070504									REGISTERED
					284070505									REGISTERED
					284070506									REGISTERED
01/01/2012	11	FITZGERALD	DR	PE173185	28407-0230LT	PDI		PCL PL 2 SEC M62, BLK 16 PL M62 LKFLD	55499		L17-55499 SEE ALSO L17-55498	Electric	yes	REGISTERED
					284070503									REGISTERED
					284070504									REGISTERED
					284070505									REGISTERED
					284070506									REGISTERED
01/07/2012	corner	BRADEN (LAKEFIELD)	ST		28458-0614	PDI		PT BLK 367,368,383,384,374 Plan 45M234, PTS 1,2,3,4,5 PL45R___; only have the draft from J. Baird (LLF Lawyers)	55411		L17-55411	Electric	No	UNREGISTERED
12/07/2012	340	FLORENCE	DR	PE171586	28458-0614LT, 0615, 0621,0630, & 0631	PDI		Parts of Blks 367 (PT1), 368 (PT2), 374 (PT5), 383 (PT4) & 384 (PT3) of Plan 45M234 from 2210240 Ontario Inc., being Part of Blks 1, 2, 3, 4 & 5 on Plan 45R15446	55496	20070315490000	L17 - 55496	Electric	Yes	REGISTERED
01/01/2012	225	WOLSELY	ST	PE185375	281170138	PDI		PT LT 17 PL 101 PTBO PT 2 45R2964 PT 1 45R15513	16708	050080150010000	L17-55398	Electric	Yes	REGISTERED
02/07/2012	110	CHANDLER	CR	PE171586	28458-0614LT, 0615, 0621,0630, & 0631	PDI		Parts of Blks 367 (PT1), 368 (PT2), 374 (PT5), 383 (PT4) & 384 (PT3) of Plan 45M234 from 2210240 Ontario Inc., being Part of Blks 1, 2, 3, 4 & 5 on Plan 45R15446	55497		L17 -55497 SEE ALSO L17-55496	Electric	Yes	REGISTERED
01/01/2012	14/82	WALLIS	DR	PE219475	28061-0038 (LT)	PDI						Electric		REGISTERED
	82			PE226424	280610013			PT LT 10, CON 13 , NORTH MONAGHAN, AS IN R577650						REGISTERED
	14				280610038				21780	020080065000000	L17-55629	Electric	NO	REGISTERED
	82				280610013			PT LT 10, CON 13, NORTH MONAGHAN , PART 2 , 45R726	19553	020080074020000		Electric		REGISTERED
01/01/2012	1384	ARMOUR	RD			PDI		No Transfer Easement in file (Part 1, east side of Nassua Mills Rd S side Armour Rd on closed E/W Road Allowance btwn Lots 5 & 6, Conc. 11??)	55588		L17 - AR 55588 Trent University	Electric	Yes	UNREGISTERED
												Electric		UNREGISTERED
10/12/2015	1600	WEST BANK	DR	PE237722	281300053	PDI		SERVIENT LANDS: PT LT 21 CON 3 SMITH; DESIGNATED AS PARTS 2 AND 3 ON 45R15497; PETERBOROUGH CITY				Electric		REGISTERED
10/12/2015	1600	WEST BANK	DR	PE237722	281300057	PDI		SERVIENT LANDS: PT RDAL BTN LTS 5 & 6 CON 11 AS CLOSED BY BY-LAW G10187 DESIGNATED AS PT 1 45R15498; PETERBOROUGH CITY				Electric		REGISTERED
01/01/2012	3351	NASSAU MILLS	RD	R97571	284640003	PDI		PT LT 20 & 21 CON 3 PL 45R15497	55587		L17-55587	Electric		REGISTERED
				T16891	281300053									REGISTERED
01/01/2012	55	OAK (NORWOOD)	ST	PE182745	282120239 LT	PDI		PT BL E, PL 6 TOWNSHIP ASPHODEL-NORWOOD	55534		L17-55534	Electric	Yes	REGISTERED
01/01/2012	59	SPRING (NORWOOD)	ST	PE215357	282120329 LT	PDI		PT BL E PL 6 ASPHODEL-NORWOOD PL 45R15511	55533		L17-55533	Electric		REGISTERED
01/01/2013	485	THE PARKWAY			284830084	PDI		PT BLK H PL 212, AS IN R327740, EXCEPT PT 7 PL 45R15370, PTS 3,4,5,6,7,8 PL 45R15583	54008	010120007000000	L17-CA-56518	Both	NO	UNREGISTERED
01/01/2013	315	DUBLIN	ST		28108-0036	PUC		PLN 45R-15635, R177148, PT OF RUBIDGE	22680	30020003000000	L17-56528	Electric	Yes	UNREGISTERED
					28413-0445 (LT)							Electric		REGISTERED
01/02/2013	798	ERSKINE	AVE	PE189028	28058-0024									REGISTERED
				PE189028	28058-0050	PDI		PT LT 7 PL 17Q, R501149 T/W R501149, PT 2 45R-15572 & R368308 EXCEPT PT 5 PL 45R14284 PT 3	56574		L17-56574	Electric		REGISTERED
13/08/2013	90	FACENDI	DR	PE204612	28062-0380	PDI		PT LT 23, PLN 87Q PT 1 45R15691	56631		L17-56631 & SEE ALSO L17-56568	Electric	Yes	REGISTERED
01/01/2013	596	WELLER	ST	PE183803	280850268	PDI		PT LT 20 PL 49 R514698 PT 1 PL 45R15579	20755	030050245000000	L17-56466	Electric	No	REGISTERED
25/04/2013	545	QUEENSWAY		PE186046	280560008	PDI		PART BLOCK H, PLAN 212, DESIGNATED AS PARTS 3 & 4 ON REFERENCE PLAN 45R-15583; PETERBOROUGH				Electric		REGISTERED
25/04/2013	545	QUEENSWAY		PE186046	280570140	PDI		PART BLOCK H, PLAN 212, DESIGNATED AS PART 5 ON REFERENCE PLAN 45R-15583; PETERBOROUGH				Electric		REGISTERED
25/04/2013	545	QUEENSWAY		PE186046	280570142	PDI		PART OF THE QUEENSWAY, PLAN 212 (CLOSED BY BYLAW NO 12-045 REGISTERED AS PE168306, DESIGNATED AS PART 6 ON REFERENCE PLAN 45R-15583; PETERBOROUGH				Electric		REGISTERED
25/04/2013	545	QUEENSWAY		PE186046	284630084	PDI		PART OF THE PARKWAY, FORMERLY THE QUEENSWAY, PL 212 (CLOSED BY BYLAW NO 12-045 REGISTERED AS PE168306, DESIGNATED AS PART 7 ON REFERENCE PLAN 45R-15583; PETERBOROUGH				Electric		REGISTERED

REG_DATE	ADDRESS	STREET	TYPE	INSTRUMENT_NUM	PIN	PARTY_1	PARTY_2	LEGAL_DESCRIPTION	P_ID	PROPERTY_ROLL	PUG_DESCRIPTION	Electric or Both	COPY OF R-PLAN *(Yes or NO)*	REGISTERED or UNREGISTERED
01/01/2013	858	BARNARDO	AVE			PUC (PDI)		3/1/2013 PDI recommendation to release easement	56498		L17 BA 56498	Electric	No	UNREGISTERED
05/07/2013	112	REID	ST LKFLD	PE190746	284060343	PDI		PT 2 PL 45R15626 PL 29 VILLAGE LKFLD	57216		L17-57216	Electric	Yes	REGISTERED
Aug. 2014	871	BARNARDO	AVE	PE190176	28119-0073 (LT)	PDI		Part Blk Z Plan 24T Smith designated as Part 1, 45R-15639	56598		L17 BA 56598	Electric	Yes	REGISTERED
May 5/14	167	CHARLOTTE	ST	PE219532	281020016	PDI		PT LT 2 SOUTH OF CHARLOTTE, WEST OF GEORGE REG PL 1 PL 45R15824	20536	040050064000000	L17-57294	Electric	Yes	REGISTERED
Feb 26/14	248	CHARLOTTE	ST	PE202083	28104-0122 28104-0120	PDI		Part of Lot 8, N of Charlotte St & W of George St, Plan 1; designated as Part 2 on Plan 45R-15765 (P.I.N. 28104-0122 (LT)) Part of Lot 9 N of Charlotte St & W of George St, Plan 1: designated as Part 1 on Plan 45R-15792 (P.I.N. 28104-0120 (LT))	57298		L17- 57298	Electric	Yes	REGISTERED
14/05/2014	952	PARKHILL	RD W	PE240884	28459-0038	PDI		PT LT 10 CONC 1 TOWNSHIP SMITH PL 45R-15823	19741	20070043000000	L17-57391	Electric	Yes	REGISTERED
June 2/15	1195	ARMOUR	RD	PE222383	284640086	PDI		PART BLOCK C PLAN 12G DOURO; DESIGNATED AS PART 2, PLAN 45R-15990			L17-60291	Electric	Yes	REGISTERED
06/07/2014	185	HUNTER	ST E	PE200105	28136-0131 LT	PDI		PT LT 1 S OF HUNTER PL 1A, PT 8 PL 45R15577			L17-57289	Electric	Yes	REGISTERED
June 26/15	270	CHARLOTTE	ST	PE226735	28104-0013 (LT)	PDI		Part of Lot 11, West of George St & North of Charlotte St, Plan 1; designated as Part 6 on Plan 45R-15977			L17-60422	Electric	Yes	REGISTERED
Dec 30/15	1600	WEST BANK	DR	PE237722	28130-0053 (LT)	PDI		Part of PIN 28130-0053 (LT) and Part of PIN 28130-0057 (LT) Nassau Mills Road Part Lt 21 Con 3 Smith; Designated as Parts 2 and 3 Plan 45R-15497 and Part RDAL BTN Lts 5 & 6 Con 11 Douro as Closed by By-law G10187; Designated as Part 1 45R-15498			Transfer from Trent University L17-55588	Electric	Yes	REGISTERED
Jan 14/16		RUBIDGE	ST	PE237723	28108-0036 LT	PDI		Part of PIN 28108-0036 LT Pt Rubidge St Pl 1 Peterborough BTN N Limit London St & S Limit Dublin St as Closed by R165644; as in R177148; S/T R177148 designated as Pt 1 Plan 45R-15635			Transfer from Trent University L17-56528	Electric	Yes	REGISTERED
May 28/15	231	ENGLEBURN	AVE	PE225178	28137-0073 LT	PDI		Lot 34, Plan 124; designated as Part 1, Plan 45R-15999, Peterborough			Transfer from Carol Alma DaSilva L17-43184	Electric	Yes	REGISTERED
Feb 16/16	952	PARKHILL	RD W	PE240884	28459-0038 LT	PDI		Pt Lt 10, Con 1 (Smith), Designated as Part 1 on Plan 45R-15823			Transfer from Frances Sarah Clements	Electric	yes	REGISTERED
Sept 26/16	1140	ST. PAUL'S	ST	PE254617	28123-0150 LT	PDI		Part of Block C, Plan 272; Designated as Part 1 on Plan 45R-16107, Peterborough			L17-60491	Electric	Yes	REGISTERED
Apr 3/17	1742	RAVENWOOD	DR	PE265433	28760-0001 (LT) through 28750 0024 (LT)	PDI		Peterborough Standard Condominium Plan No. 60, Units 1 through 24, Level 1, Plan 45R-16312				Electric	Yes	REGISTERED
01/01/1983	925	WATER	ST	649584		PUC		BLK F, PTS LTS 6, 7 BLK D PL 14	6293	050110109000000	L17-6293 (filed under GE)	Electric	Yes	REGISTERED
09/02/1976	102	LANGTON	RD	R293848	281220249	PUC		PT LT 17 CON 2 SMITH ; PETERBOROUGH			45R1685	Electric	Yes	REGISTERED
23/09/2003		LANSDOWNE	ST W	LT116472	280710011	PDI		PT LT 1-3 58Q, PT LT 1 17Q. 45R12580				Electric	Yes	REGISTERED
23/09/2003		LANSDOWNE	ST W	LT116471	280710076	PDI		PTS LT 3-8 PL 58Q, Closed by By-law 79728, 45R12580				Electric	Yes	REGISTERED

SCHEDULE 3.1(L) – LABOUR MATTERS

Except as set forth in Schedule 3.1(l), the Vendor is not a party to nor is it bound by or subject to any agreement or arrangement with any labour union or employee association and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement.

	TITLE OF CONTRACT AND PARTIES	**DATE**
1.	Collective Agreement between Peterborough Utilities Services Inc., Peterborough Distribution Inc., Peterborough Utilities Inc. and including wholly owned subsidiaries of these related companies and Local Union 636 of the International Brotherhood of Electrical Workers	(Expiry March 31, 2022)

SCHEDULE 3.1(R) – LICENCES

	TITLE OF CONTRACT AND PARTIES	DATE
1.	Electricity Distribution Licence ED-2002-0504 valid until December 17, 2023	December 18, 2003
2.	Industry Canada Radio Authorization Renewal	February 4, 2017

SCHEDULE 5.8 – ADDITIONAL RIGHTS EASEMENT FORM

See attached.

SCHEDULE 5.8
ADDITIONAL RIGHTS EASEMENT FORM

[Once finalized this "general" form of easement will need to be tailored accordingly for 2 sub-categories of the properties listed in Schedule 2.2 of the APA as follows:

"PERMANENT EASEMENTS". Those listed in Part A of Schedule 2.2 of the APA.

"TEMPORARY EASEMENTS" Those listed in Part B of Schedule 2.2. of the APA.

The definition of "Easement Area" for certain of the above categories of properties may be defined with reference to a sketch or reference plan that limits same principally to the areas directly servicing the Works currently in place. Drafts of these sketches/plans for these properties are attached as Appendix 1 hereto. For these properties the easement rights prescribed in Paragraph 1 below and the corresponding restrictions etc. set out herein would be limited to those areas shaded in red on the draft plans, which are the areas upon which the subject Works (plant and infrastructure) is located. Areas shown in blue (if applicable) on these plans would be subject only to non-exclusive access easement rights in favor of Hydro One to and from the main easement areas (those shown in red) and the nearest public road. Accordingly, so long as the access or equivalent access is maintained, the various restrictions and prohibitions etc. in the provisions of this easement would not apply to these non-exclusive access easement areas. This draft is to be updated accordingly for the applicable properties to reflect this distinction of easement areas and rights.

XXXXXXXXX (the "**Transferor**") is the owner in fee simple and in possession of the Lands described in Appendix 1 (the "**Lands**").

Hydro One Networks Inc. (the "**Transferee**") has erected, or is about to erect, certain Works (as more particularly described in paragraph 1(a) hereof) in, through, under, over, across, along and upon the Lands.

1. The Transferor hereby grants and conveys to the Transferee, its successors and assigns the rights and easement, free from all encumbrances and restrictions (subject to the terms hereof and other than the permitted encumbrances listed in Appendix 2 hereto, the **"Permitted Encumbrances"**), the following unobstructed and exclusive rights (subject to the provisions hereof), easements, rights-of-way, covenants, agreements and privileges **[in perpetuity][for the Term (as hereinafter defined]** (the "**Rights**") in, through, under, over, across, along and upon **[the Land] [that portion of the Lands of the Transferor shown [shaded in red] on the plan attached to Appendix 1]** (the "**Easement Area**") ***[NTD 1: see note above re Easement Area definition.]***, for the following purposes: ***[NTD 2: the term of this easement is to be limited to 10 years + 5 options of 2 year renewals for the Temporary Easement Properties].***

    (a) To enter and lay down, install, construct, erect, maintain, open, inspect, add to, enlarge, alter, repair and keep in good condition, move, remove, replace, reinstall, reconstruct, relocate, supplement and operate and maintain at all times in, through, under, over, across, along and upon the Easement Area, an electrical distribution station, electrical transmission assets, and related equipment, consisting in all instances of transformers, busbars, switchgear, switching apparatuses (including switches, fuses and circuit breakers), surge voltage protection, grounding, pole structures, steel towers, anchors, guys and braces and all such aboveground or underground lines, wires, cables, grounding electrodes, conductors, apparatus, works, accessories, associated material and equipment, and appurtenances pertaining to or required by such equipment, assets or systems, including, without limitation, all such improvement, equipment, infrastructure and appurtenances existing on the Easement Area as of the date of the grant of this easement, (all or any of which are herein individually or collectively called, the **"Works"**)), as in the reasonable opinion of the Transferee are necessary or convenient thereto for use as required by Transferee in its undertaking from time to time of electricity distribution or transmission (the **"Permitted Use"**).

    (b) To enter on and selectively cut or prune, and to clear and keep clear, and remove all trees, branches, bush and shrubs and other obstructions and materials in, over or upon the Easement Area, and without limitation, to cut and remove all leaning or decayed trees located on the Lands, in each case whose proximity to the Works renders them liable to fall and come in contact with the Works or which may in any way interfere with the safe, efficient or serviceable operation of the Works or this easement by the Transferee.

(c) To conduct all engineering, legal surveys, and make soil tests, soil compaction and environmental studies and audits in, under, on and over the Easement Area as the Transferee, reasonably considers requisite. Prior to undertaking such testing etc., the Transferee shall provide reasonable prior written notice to the Transferor (inclusive of reasonable details as to the scope of tests) and shall provide the results of any such environmental studies, tests or audits, subject to applicable confidentiality restrictions, to the Transferor upon request by the Transferor.

(d) To erect, install, construct, maintain, repair and keep in good condition, move, remove, replace and use bridges and such gates in all fences which are now or may hereafter be on the Easement Area as the Transferee may from time to time, acting reasonably, consider necessary such that they do not in any way interfere with the safe, efficient or serviceable operation of the Works or this easement by the Transferee.

(e) Except for fences and the Installations that satisfy the Prerequisites (each as hereinafter defined), to clear the Easement Area and keep it clear of all buildings, structures, erections, installations, or other obstructions of any nature whether above or below ground, including removal of any materials and equipment or plants and natural growth, which in the reasonable opinion of the Transferee, has resulted in a situation where the close proximity of the obstruction poses a potential risk of bodily injury or death or a potential or existing interruption of power or service to customers from the Works or a potential risk of danger of damage to, or that impairs access to, the Works or the safe, efficient and serviceable operation thereof, including the destabilization of any poles, in each such circumstance that is reasonably foreseeable (hereinafter an "**obstruction**") and such rights to be exercised only to the extent reasonably necessary to address the obstruction. Notwithstanding the foregoing or any other provision herein, the Transferee may not remove (in whole or in part) or undertake any alterations to any building or structure erected on the Easement Area which is subject to a heritage designation without the prior written consent of the Transferor, which shall not be unreasonably withheld, conditioned or delayed, (it being acknowledged and agreed that the building known municipally as 235 Aylmer Street North is subject to a heritage designation and the Transferee shall have no obligation to remove such building upon the termination or expiry of this easement, nor shall the Transferee be obligated to remove Works from such building upon termination or expiry of this easement where such removal would necessitate substantial damage to, or demolition of such building).

(f) To enter on and exit, and to pass and repass at all times in, over, along, upon and across the Easement Area **[and that portion of the Lands shown [shaded in blue] on the plan attached to Appendix 1]**, for the Transferee, its employees, agents, contractors, subcontractors, workmen and permittees, with or without all plant machinery, material, supplies, vehicles and equipment for all purposes necessary or convenient to the exercise and enjoyment of this easement, subject to compensation afterwards for any crop or other physical damage only to the Lands or permitted structures sustained by the Transferor caused by the exercise of this right of entry and passageway. Where the Easement Area **[or that portion of the Lands shown [shaded in blue] on the plan attached as Appendix 1]** is not sufficient to allow for the necessary movement of vehicles, personnel or equipment in order to operate, maintain, replace or decommission the Works in accordance with the requirements of this easement, the Transferor shall, following written notice thereof from the Transferee, act reasonably in considering the Transferee's request to gain temporary or limited access to such additional lands owned or controlled by the Transferor, to the extent they exist, and which may be necessary in order to address such insufficiency, provided that any such grant shall be subject to the Transferor's prior written approval thereof (such approval not to be unreasonably withheld).

["Term" means the period of ten (10) years commencing as of the date of this easement, provided that the Transferee shall be entitled to extend the Term for five (5) further periods of an additional two (2) years each commencing on the date of the expiry of the Term or the applicable extension, as the case may be, so long as it is not then in default of its obligations herein and provides the Transferor with written notice exercising such rights at least six (6) months prior to the expiry of the then current Term or extension, as the case may be.]

2. The Transferor agrees that:

(a) It will not interfere with any Works established on or in the Easement Area and shall not, without the Transferee's consent in writing, erect or cause to be erected or permit in, under or upon the Easement Area any obstruction or plant or permit any trees, bush, shrubs, plants or natural growth which does or may interfere with the Rights granted herein. The Transferor agrees it shall not, without the Transferee's consent in writing, change or permit the existing configuration, grade or elevation of the Easement Area to be changed and the Transferor further agrees that no excavation or opening or work which may disturb or interfere with the existing surface of the Easement Area shall be done or made unless consent therefore in writing has been obtained from Transferee, provided however, that the Transferor shall not be required to obtain such permission in case of emergency, but shall provide notice thereof to the Transferee as soon as reasonably practicable in such emergency circumstances.

(b) Where the Transferor requires the construction of an Installation (as hereinafter defined) or a material alteration to an existing Installation within the Easement Area, it shall provide written notice to the Transferee outlining in reasonable detail such proposed Installation and the location thereof (the **"Installation Notice"**). The parties acknowledge and agree that it is their intention that such Installation or alteration shall be permitted to be undertaken by the Transferor provided (1) it would not result in an "obstruction" (as hereinbefore defined); and (2) the retained Rights of the Transferee herein are not interfered with in any material respect, including after consideration of any Works or potential expansions thereof planned by the Transferee with which the Installation would interfere (the **"Prerequisites"**).

Within sixty (60) days of delivery of the Installation Notice by the Transferor to the Transferee, the parties shall meet to jointly review the Installation Notice to confirm that the Prerequisites have been met and where there is any objection as to same to attempt to timely resolve same so as to facilitate such Installation in accordance with the Prerequisites. In making such determinations, each party shall be cooperative with the other, act reasonably and in good faith (which determinations shall take into consideration the operational, safety and scheduling requirements of the Transferee, including potential expansions of the Works required by the Transferee that may impact the Easement Area in question). Upon mutual confirmation that the Prerequisites have been met, the parties shall promptly effectuate the partial surrender and registration on title thereof of the Easement Area within which the Installation is to be located (if applicable) and otherwise permit the Transferor, subject to all safety policies and procedures of the Transferee, to timely proceed with the Installation. All such Installations shall be at the sole cost and expense of the Transferor. **"Installation"** means roads (including any road-widenings), lanes, walks, drains, sewers water pipes, oil and gas pipelines, fences (not to exceed 2 metres in height), service cables, landscaping features and any other municipal systems or infrastructure (including buildings) or any alteration to such items.

The Transferee shall be permitted to have a representative present to monitor the proposed Installation during the performance of such work. The Transferor shall in all instances be responsible for the execution and performance of the Installation, regardless of whether the Transferee elects to have a representative present during the performance of such work. In the event of any unauthorised interference with the Works as aforesaid or contravention of this Section 2, the Transferee may, following the persistence of such circumstance after thirty (30) days' notice in writing thereof by the Transferee to the Transferor, at the Transferor's expense, forthwith remove, relocate, clear or correct the offending interference, obstruction, Installation or contravention complained of from the Easement Area.

For certainty the parties acknowledge and agree that as to any Installations existing on the Easement Area or the Lands as of the date of the grant of this easement, where they would otherwise comply with the terms of this Section 2 they shall continue to be permitted hereby, provided that the terms of this Section 2(b) shall apply with respect to any maintenance, repair, alteration or access to such Installation.

(c) Notwithstanding any rule of law or equity, the Works shall at all times remain the property of the Transferee, notwithstanding that such Works are or may become annexed or affixed to the Easement Area and shall at anytime and from time to time be removable in whole or in part by the Transferee.

(d) No other easement or permission will be transferred or granted and no encumbrances will be created over or in respect to the Easement Area, prior to the registration of a Transfer of this grant of Rights, other than the Permitted Encumbrances.

(e) The Transferor and the Transferee will execute such further assurances of the Rights and the provisions herein in respect of this grant of easement as may be reasonably requisite.

(f) The Rights hereby granted:

 (i) shall be of the same force and effect to all intents and purposes as a covenant running with the Easement Area.

 (ii) is declared hereby to be appurtenant to and for the benefit of the Works and undertaking of the Transferee described in paragraph 1(a).

3. The Transferee agrees that:

(a) it shall at all times exercise the Rights, operate, maintain and repair the Easement Area, the Works and any building or structure within the Easement Area that houses or contains the Works and act, all as would a prudent operator of an electricity distribution business in accordance with applicable industry standards applied by a significant portion of the electric utility industry in North America during the relevant time period, and in compliance with all applicable laws and the terms of this easement;

(b) it shall pay to the applicable authority, when due the amount of any realty taxes and grants or payments in lieu thereof, fees or other assessments or payments in lieu thereof that may be charged or levied against the Easement Area by reason of the Transferee's Rights herein. The Transferee shall pay all metered hydro, gas, water, electricity and for all other services and utilities as may be provided or consumed by the Transferee by or at the Easement Area in connection with exercise of the Transferee's Rights and for all other costs and expenses incurred in connection with or associated with the Transferee's exercise of its Rights herein;

(c) Transferee shall, procure and maintain, at its own expense, insurance policies in which the Transferor is named as an additional insured in the amount of Five Million Dollars ($5,000,000.00) against comprehensive general liability which covers claims due to damage to the Easement Areas and the Lands, the Transferor's property or property of any other person or persons and against liability due to injury to or death of any person or persons in any one instance. Such policies of insurance shall contain a severability of interest clause and cross liability clause between Transferee and Transferor; be non-contributing with, and shall apply only as primary and not excess to any other insurance available to the Transferor and provided that it shall not be cancelled or amended so as to reduce or restrict coverage except upon thirty (30) days prior notice (by registered mail) to the Transferor. Transferee shall, upon the request, provide the Transferor with evidence, satisfactory to Transferor of the Transferee's compliance and continued compliance with this provision and subparagraph (d) below, as applicable. Transferee agrees that the insurance described this Section herein does not in any way limit Transferee's liability pursuant to the indemnity provisions of this easement; and

(d) Notwithstanding the foregoing, as long as Hydro One Networks Inc. is a party to and obligated under this easement, it shall be permitted to self-insure for all insurance requirements set out herein and shall not be required to provide proof of the insurance policies set out in subparagraph (c) above.

4. There are no representations, covenants, agreements, warranties and conditions in any way relating to the subject matter of this grant of Rights, the Lands or the Easement Area whether expressed or implied, collateral or otherwise, except those expressly set forth herein.

5. No waiver of a breach or any of the covenants of this grant of Rights shall be construed to be a waiver of any succeeding breach of the same or any other covenant.

6. The Transferee covenants to observe and perform all of the terms and conditions to be observed and performed by the Transferee under this easement. The Transferor covenants to observe and perform all of the terms and conditions to be observed and performed by Transferor under this easement. The Transferee shall indemnify, defend and hold the Transferor harmless from and against any and all liens, losses, liabilities, costs or expenses incurred as a result of its failure to comply with its obligations under this easement, except to the extent occasioned by Transferor's negligent or willful wrongful act or omission to act. The Transferor shall indemnify, defend and hold the Transferee harmless from and against any and all liens, losses, liabilities, costs or expenses incurred as a result of the Transferor's failure to comply with its obligations under this easement, except to the extent occasioned by Transferee's negligent or willful wrongful act or omission to act.

7. This is an easement in gross. The burden and benefit of this transfer of Rights shall run with the Easement Area and the Works and undertaking of the Transferee and shall extend to, be binding upon and enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns. The Transferee shall not enter into, consent to, or permit any Transfer without the prior written consent of the Transferor in each instance, which consent may not be unreasonably or arbitrarily withheld. **"Transfer"** means any transaction whereby the Rights are encumbered, assigned to, transferred to, or conferred upon another person (including by way of mortgage, charge or lien), or any other transaction which has changed or might change the identity of the person having the right to exercise the Rights herein. Notwithstanding anything in this Section to the contrary, the Transferee may assign the Rights, without the consent of the Transferor (but, with prior written notice to the Transferor), to any licensed electricity distributor that becomes the owner of the Works.

8. Transferee covenants to observe and perform all of the terms and conditions to be observed and performed by Transferee under this easement. The Transferor covenants to observe and perform all of the terms and conditions to be observed and performed by Transferor under this easement. If and whenever the Transferee fails to observe, perform and keep each of the covenants, agreement, provisions, stipulations and conditions herein contained to be observed, performed and kept by the Transferee, and persists in such failure after thirty (30) days' written notice by Transferor requiring the Transferee remedy, correct, desist or comply (or if any such breach would reasonably require more than thirty (30) days to rectify, unless Transferee commences rectification within the thirty (30) day notice period and thereafter promptly, effectively and continuously proceeds with the rectification of the breach), then and in any such event of default, upon

written notice, the Transferor shall have all rights and remedies available at law or in equity.

9. It is an express condition of this easement that the provisions of the *Planning Act* (Ontario) and amendments thereto be complied with, if necessary or any successor replacement legislation.

10. Where the Transferee advises the Transferor in writing that it no longer requires the use of any Works within the Easement Area, or upon the termination or expiry of this easement, the Transferee shall, at the Transferor's request and within a reasonable period of time as agreed to by the parties, act as follows at Transferee's sole cost and expense: (a) remove the abandoned Work that is above ground; (b) subject to (c) immediately below, make safe any underground vaults, manholes and any other underground structures that form part of the Works that are not occupied or used by a third party, (collectively **"Abandoned Underground Structures"**); and (c) where, in the reasonable opinion of the Transferor, the Abandoned Underground Structures will interfere with any municipally-approved project that will require excavation or otherwise disturb the portions of the Easement Area in which the Abandoned Underground Structures are located, then Transferee shall, at or about the time the excavation of such portions of the Easement Area for said project commences, remove the Abandoned Underground Structures therein. Upon removal of the abandoned Works or upon the removal or making safe of Abandoned Underground Structures, Transferee shall repair any damage from such removal of such Works or making safe of Abandoned Underground Structures to the Easement Area that is not being excavated or disturbed by the applicable municipally-approved project. If Transferee fails to remove such Works and restore the Easement Area as required herein and otherwise to the satisfaction of the Municipal Engineer, acting reasonably, the Transferor may complete such removal and restoration and Transferee shall pay the associated costs of the Transferor.

11.

(a) For the purposes of this easement, "Hazardous Substances" means any contaminant, pollutant, dangerous substance, potentially dangerous substance, noxious substance, toxic substance, hazardous waste, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, PCB's or any other substances or materials that are declared or defined to be hazardous, toxic, contaminants or pollutants in or pursuant to any applicable federal, provincial or municipal statute, by-law or regulation.

(b) The Transferee shall, at its own cost, comply with all laws, regulations and government orders or directions relating to the use, generation, manufacture, production, processing, storage, transportation, handling, release, disposal, removal or cleanup of Hazardous Substances and the protection of the environment **("Environmental Laws")** on, under or about the Easement Area and the Lands. The Transferee shall not use or cause or, in areas of the Easement Area where it has exclusive rights of access, permit to occur, the generation, manufacture, production, processing, storage, handling, release, presence, introduction or disposal (each such action referred to as "handling") of any Hazardous Substance on, under or about the Easement Area or the transportation to or from the Easement Area of any Hazardous Substance except as incidental to the Permitted Use and in accordance with Environmental Laws.

(c) If any Hazardous Substance(s) are held in, discharged in or from, released from, abandoned in, or placed upon the Easement Area or released into the environment by the Transferee or any person for whom the Transferee is in law responsible in the course of the Transferee's business or as a result of the Transferee's use or occupancy of the Easement Area during the Transferee's occupancy of the Easement Area pursuant to this easement, in each case in violation of Environmental Laws (all of which activities may be referred to as a "**Spill**"), then, notwithstanding any statute or rule of law to the contrary, such Hazardous Substances shall be and remain the sole and exclusive property of the Transferee and, Transferee shall remove such Hazardous Substances and any substance or material contaminated by such Hazardous Substances (including where required under applicable laws) and make good any damage done in so doing (the **"Remediation"**); all at the cost and expense of the Transferee. The Transferee shall indemnify and save harmless the Transferor from and against any Claims (defined below) brought by third parties against the Transferor as a result of the Remediation.

(d) Notwithstanding the foregoing or any other provision of this easement, any environmental conditions, including but not limited to any environmental contamination, with respect to the Easement Area or environmental contamination to properties adjacent to the Easement Area as a result of any Hazardous Substances located in, on, above or below the Easement Area that existed prior to the date hereof (**"Pre-Existing Environmental Contamination"**) are not the Transferee's responsibility provided the Transferee complies with its obligations herein. The Transferee covenants and agrees that the Transferee shall not disturb, interfere with or exacerbate any Pre-Existing Contamination to the extent present at, in, on or under the Lands except as may be incidental to the conduct of the Permitted Use in the ordinary course.

(e) The Transferee shall indemnify and hold the Transferor and its successors and assigns, directors, officers, employees, agents, contractors, subcontractors, representatives and servants (collectively, the "**Transferor Parties**"), harmless at all times from and against any and all losses, damages, penalties, fines, costs, fees and expenses (including legal fees on a full indemnity basis and consultants' fees and expenses) resulting from any breach of or non-compliance with the foregoing environmental covenants of the Transferee in this Section 10 and any legal or administrative action commenced by, or claim made or notice from, any third party including, without limitation, any governmental authority, to or against the Transferor and pursuant to or under any Environmental Laws or concerning a release or alleged release of any Hazardous Substance at the Easement Area into the environment and related to or as a result of the operations of the Transferee or those acting under its authority or control at the Easement Area (any of the foregoing a **"Claim"**), provided that such indemnity shall not extend to any Claims relating to matters for which the Transferor is agreeing to indemnify the Transferee, below, or where such Claim is attributable to the negligence or wilful misconduct of any Transferor Parties or those whom they may be responsible at law. The Transferee's obligations and liabilities hereunder shall survive the expiration of this easement.

(f) The Transferor shall indemnify and hold the Transferee and its successors and assigns, directors, officers, employees, agents, contractors, subcontractors, representatives and servants (collectively, the "Transferee Parties"), harmless at all times from and against any and all losses, damages, penalties, fines, costs, fees and expenses (including legal fees on a full indemnity basis and consultants' fees and expenses) resulting from any breach of or non-compliance with Environmental Law, presence of Hazardous Substances or remedial orders or remediation obligations, arising out of or resulting from the existence of any Pre-Existing Environmental Contamination and any legal or administrative action commenced by, or claim made or notice from, any third party including, without limitation, any governmental authority, to or against the Transferee or incurred by the Transferee relating to Pre-Existing Environmental Contamination. ***[NTD: This Section (f) shall only be inserted in the easement for the "Temporary Easement Properties" only.]***

(g) Except to the extent required by law, the Transferor and Transferee covenant and agree that they shall not disclose any information in respect of the environmental condition of the Easement Area and/or the presence of Hazardous Substances, to any person, excepting legal and engineering advisors of the parties, and any government or regulatory authority if so requested, without the prior written approval of the other party hereto, which approval shall not be unreasonably withheld.

APPENDIX 1

LEGAL DESCRIPTION OF LANDS [AND PLANS DEFINED SHOWING EASEMENT AREAS]

[NTD: descriptions and plans to be inserted.]

543 Park Street North

DISCLAIMER and LIMITATIONS OF LIABILITIES
The "City of Peterborough" its employees, or agents, do not undertake to guarantee the validity of the contents of this hardcopy mapfile, and will not be liable for any claims for damages or loss arising from their application or interpretation, by any party. It is not intended to replace a survey or to be used for legal description.

Produced By: Geomatics/Mapping
City of Peterborough June,2017

City of Peterborough

555 Parkhill Road West

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Produced By: Geomatics/Mapping
City of Peterborough June,2017

1129 Armour Road

City of Peterborough

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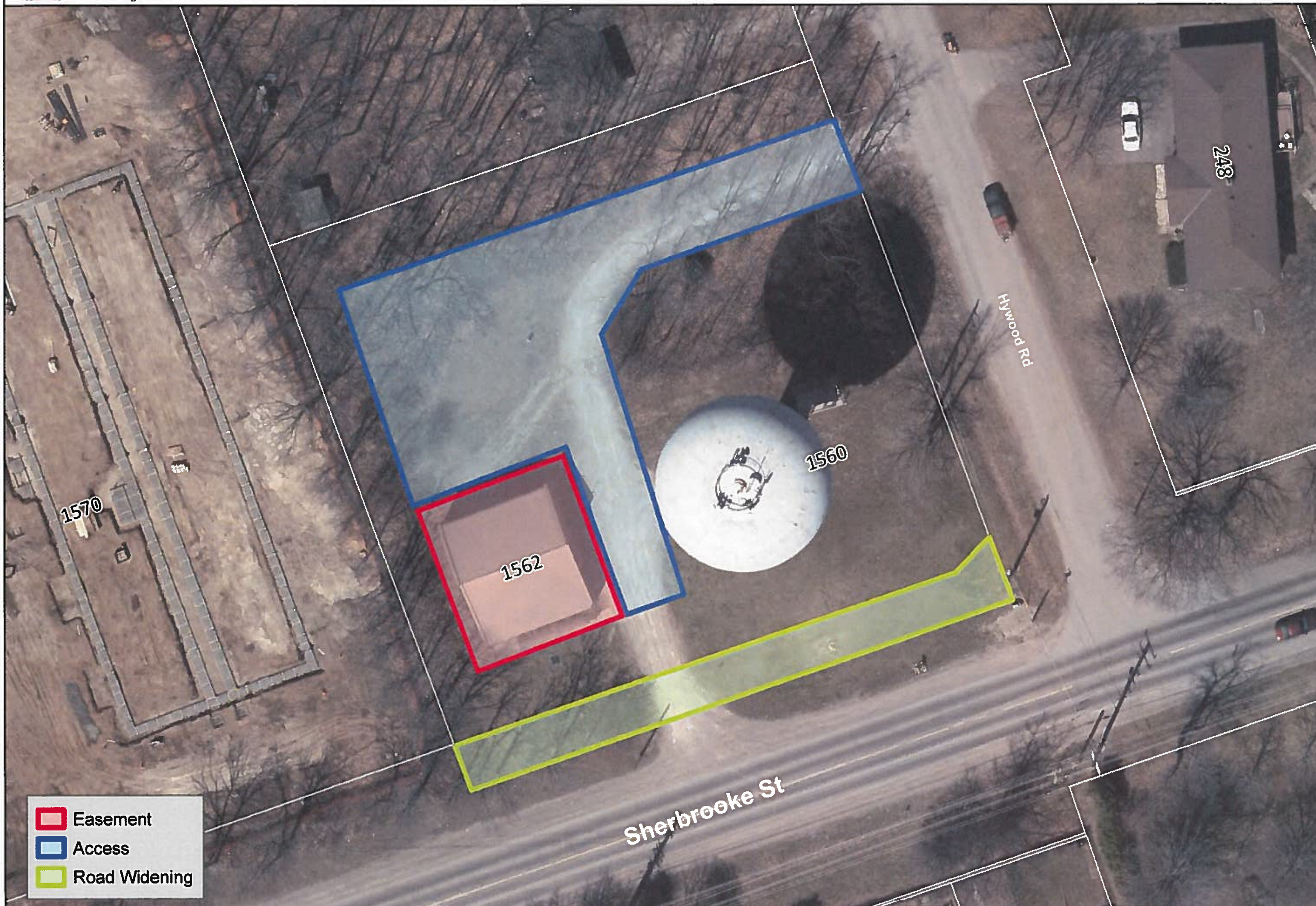
0 5 10 20 30 Metres

Produced By: Geomatics/Mapping
City of Peterborough June, 2017

City of Peterborough

1560 & 1562 Sherbrooke Street



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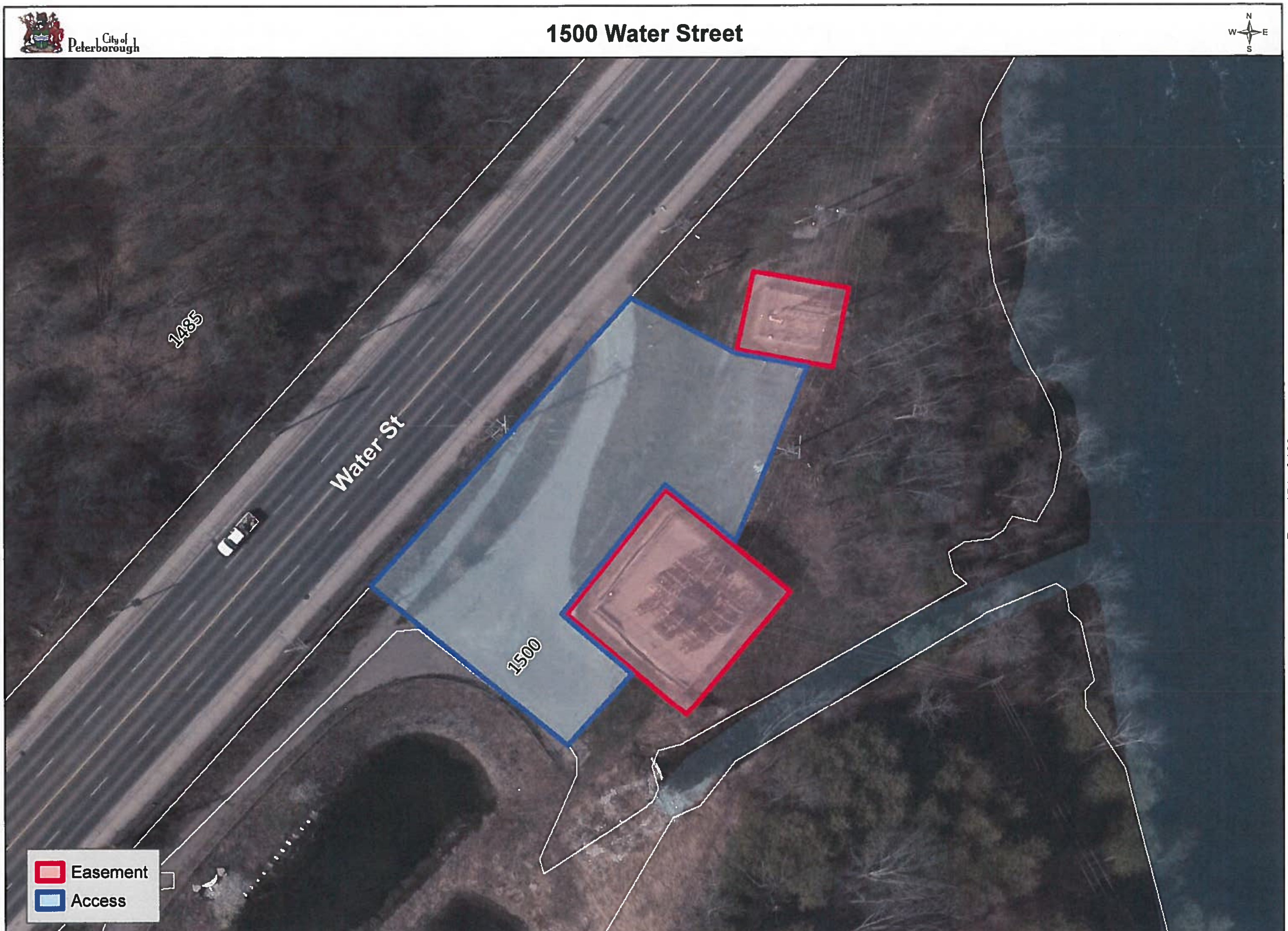
0 5 10 20 30 Metres

Produced By: Geomatics/Mapping
City of Peterborough June,2017

1500 Water Street



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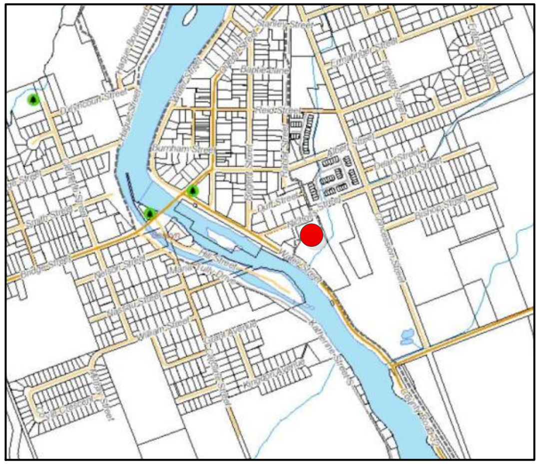
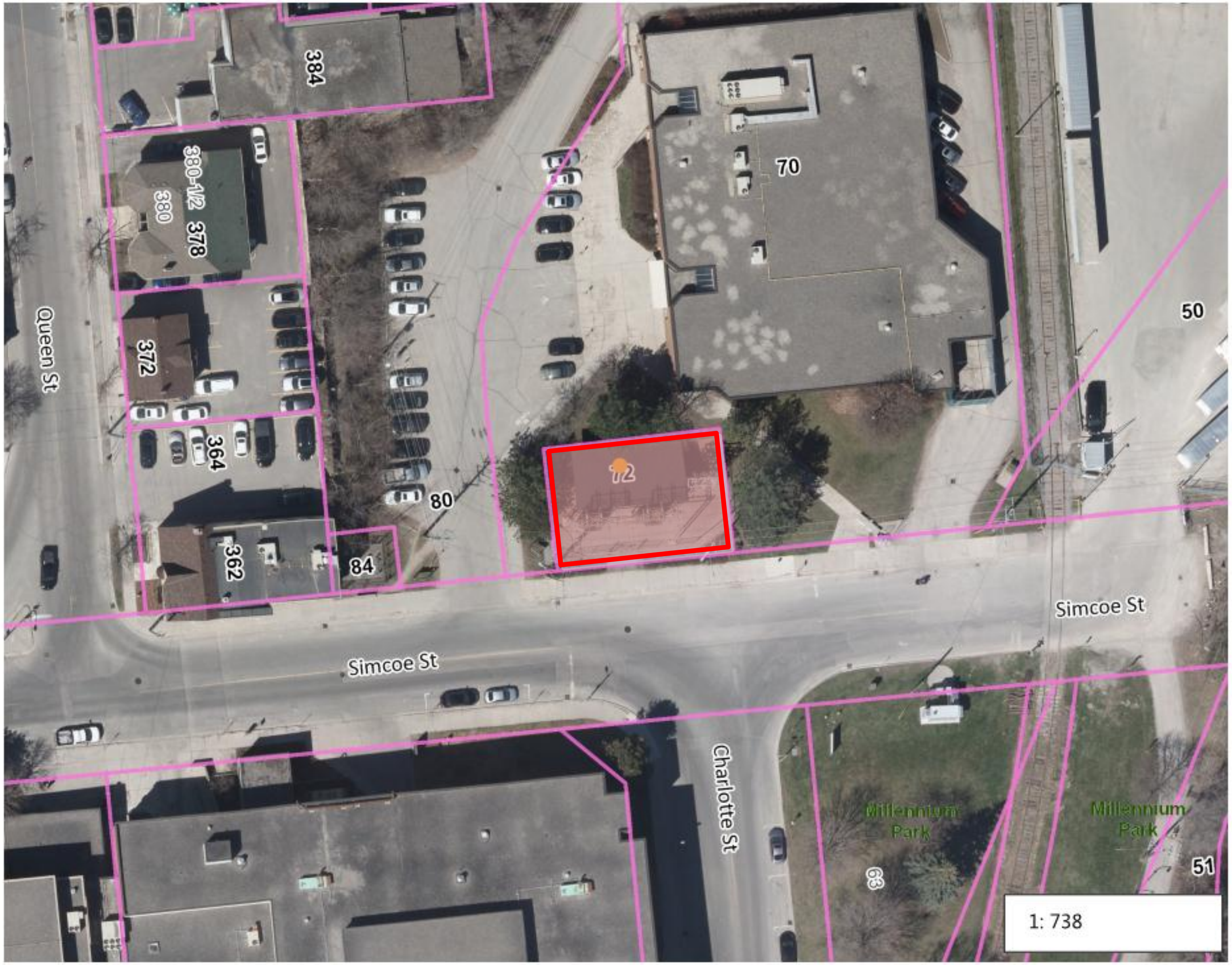
Produced By: Geomatics/Mapping
City of Peterborough June,2017

MS #54 - 23 Nicholls St, Lakefield



72 Simcoe Street (MS #8)



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PIN Data

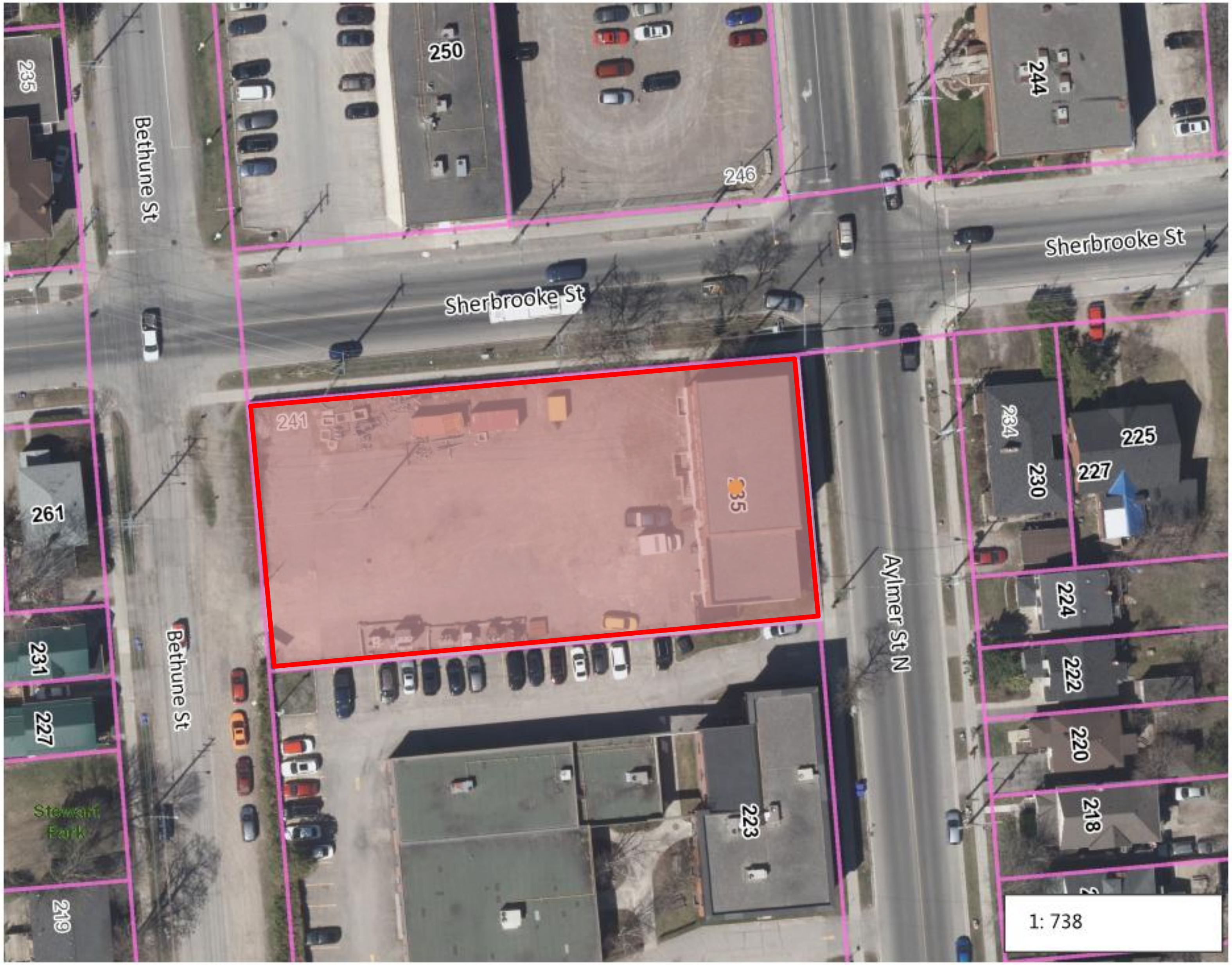
37 0 18.7 37 Meters

NAD_1983_UTM_Zone_17N

DISCLAIMER and LIMITATIONS OF LIABILITIES: The "City of Peterborough" its employees, or agents, do not undertake to guarantee the validity of the contents of this digital or hardcopy mapfile, and will not be liable for any claims for damages or loss arising from their application or interpretation, by any party. It is not intended to replace a survey or to be used for legal description.

City of Peterborough

MS #1 - 235 Aylmer St N



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PIN Data

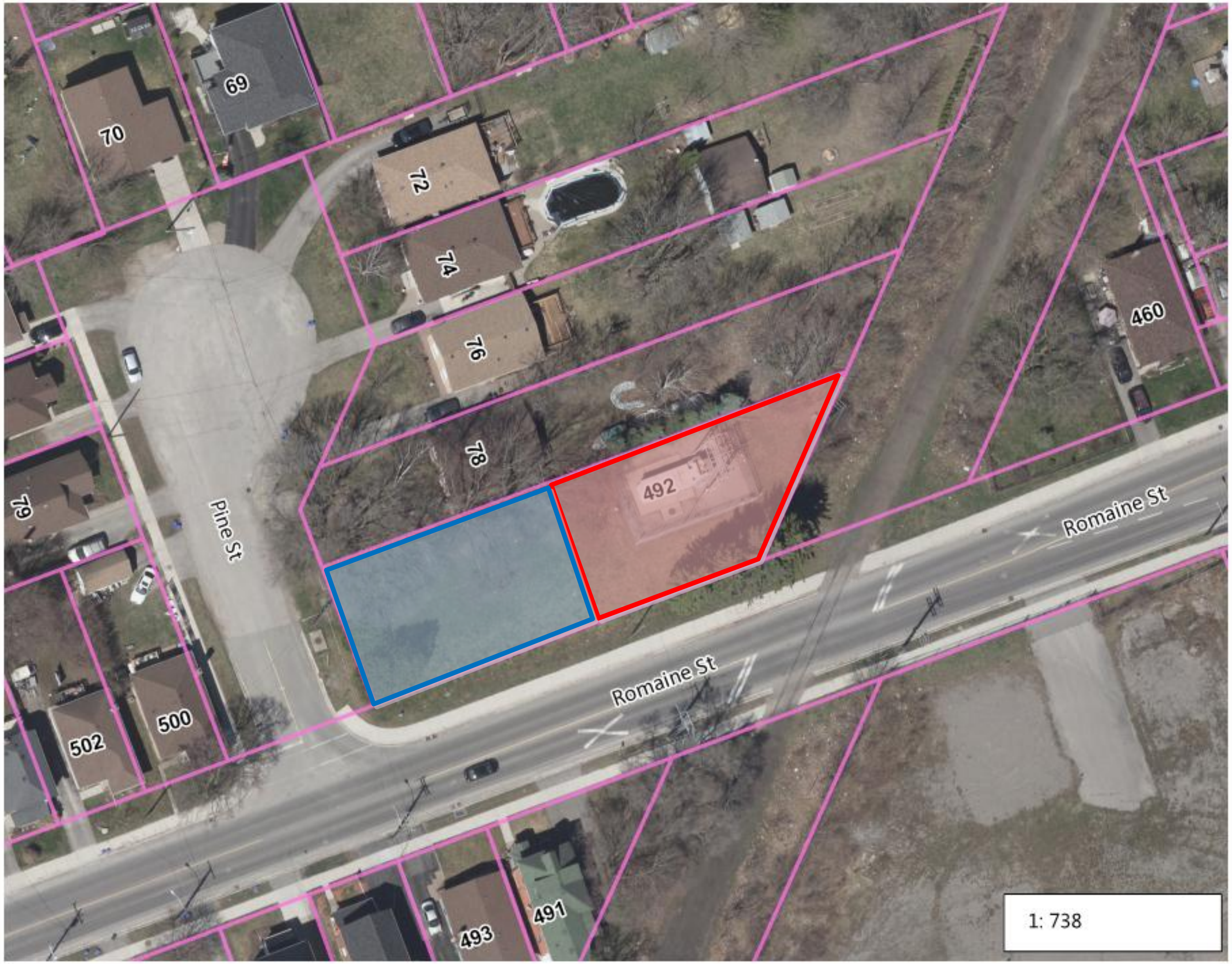
37 0 18.7 37 Meters

NAD_1983_UTM_Zone_17N

DISCLAIMER and LIMITATIONS OF LIABILITIES: The "City of Peterborough" its employees, or agents, do not undertake to guarantee the validity of the contents of this digital or hardcopy mapfile, and will not be liable for any claims for damages or loss arising from their application or interpretation. intended to replace a survey or to be used for legal description.

City of Peterborough

MS #2 - 492 Romaine St



1: 738

Legend

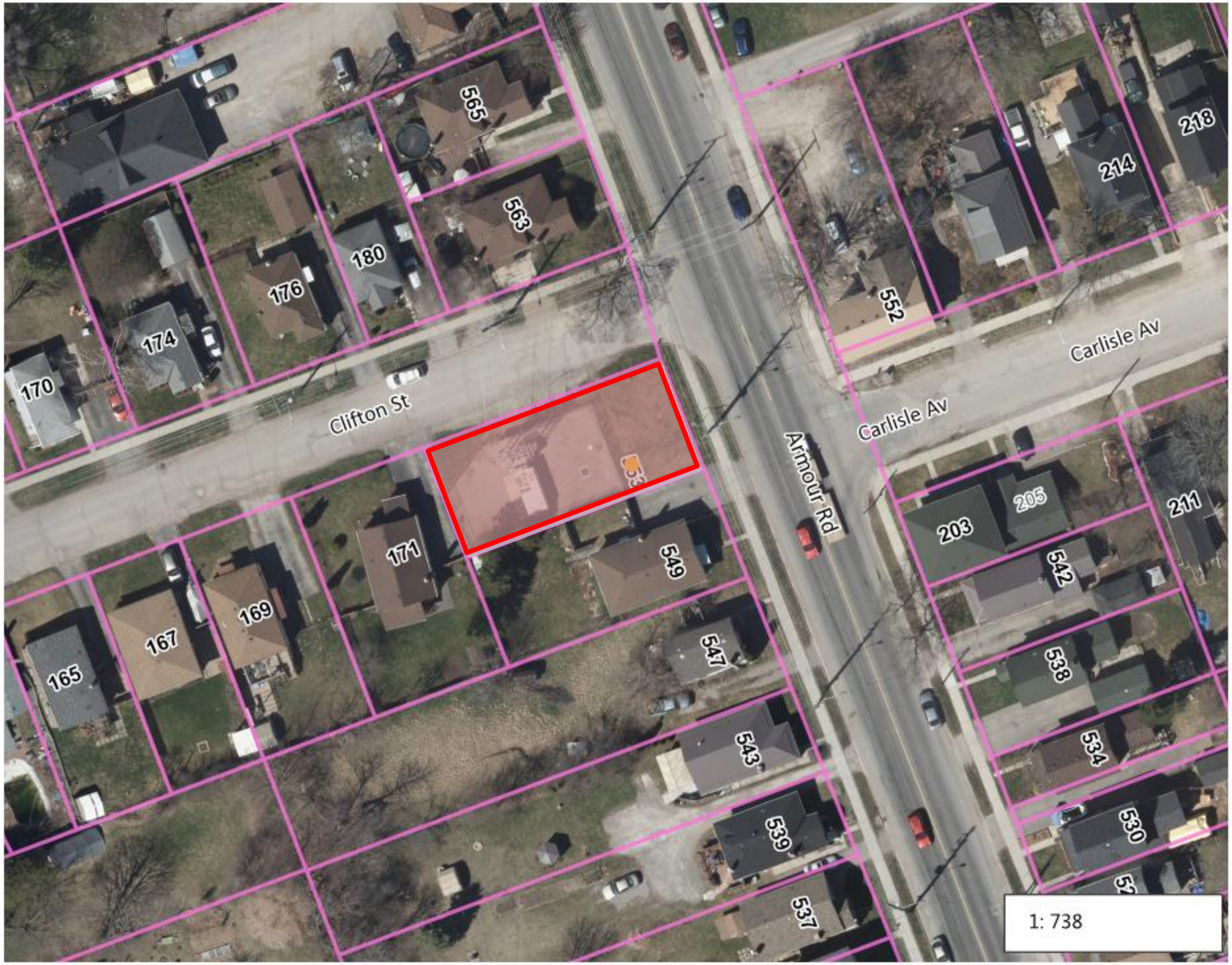
PIN Data

37 0 18.7 37 Meters

NAD_1983_UTM_Zone_17N

City of Peterborough

553 Armour Road (MS #3)



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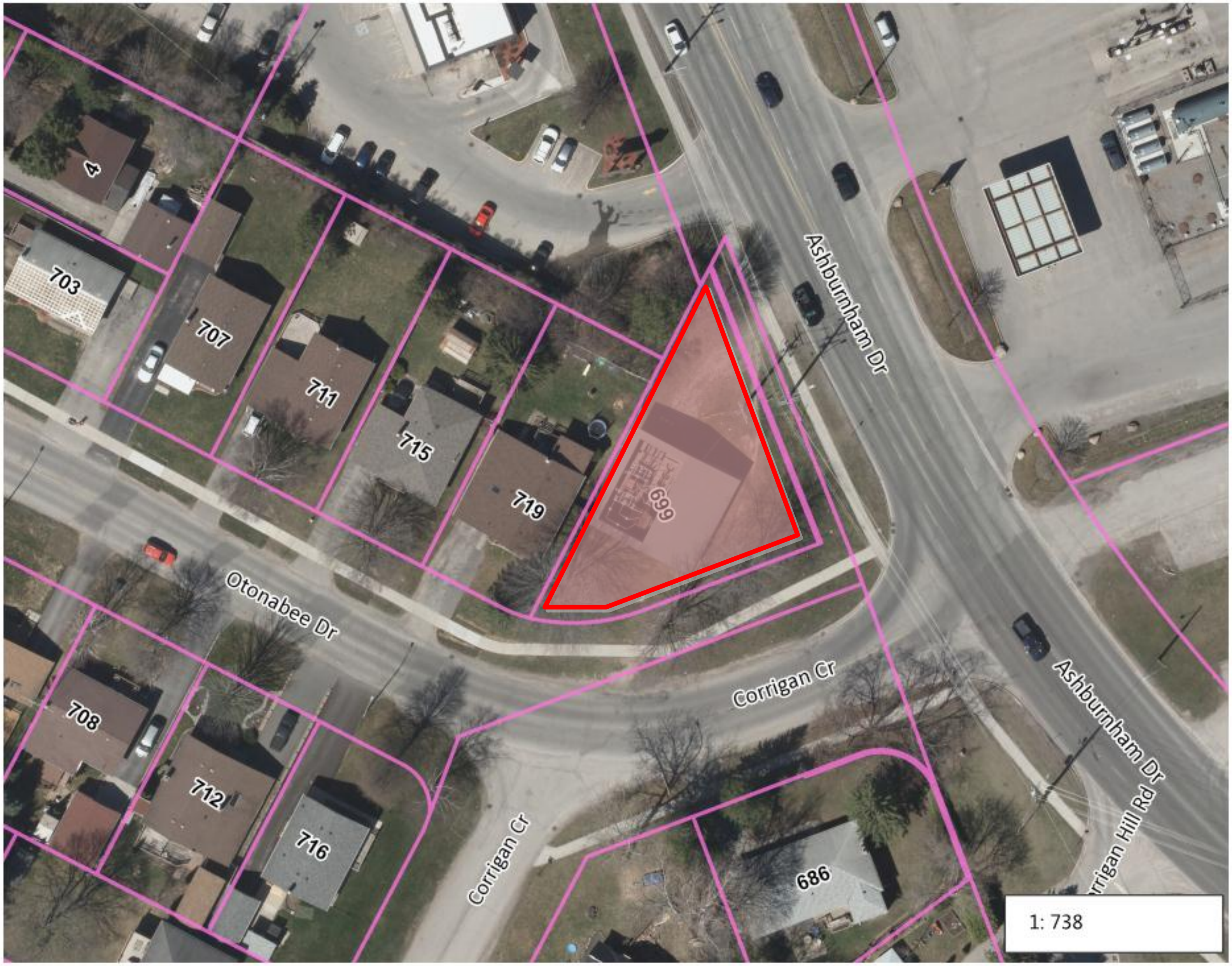
PIN Data

37 0 18.7 37 Meters

NAD_1983_UTM_Zone_17N

City of Peterborough

MS #9 - 699 Ashburnham Dr



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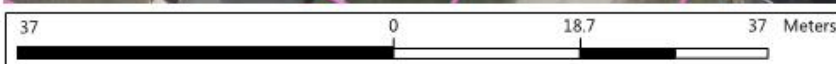


NAD_1983_UTM_Zone_17N

City of Peterborough

MS #10 - 719 Erskine Ave

Legend

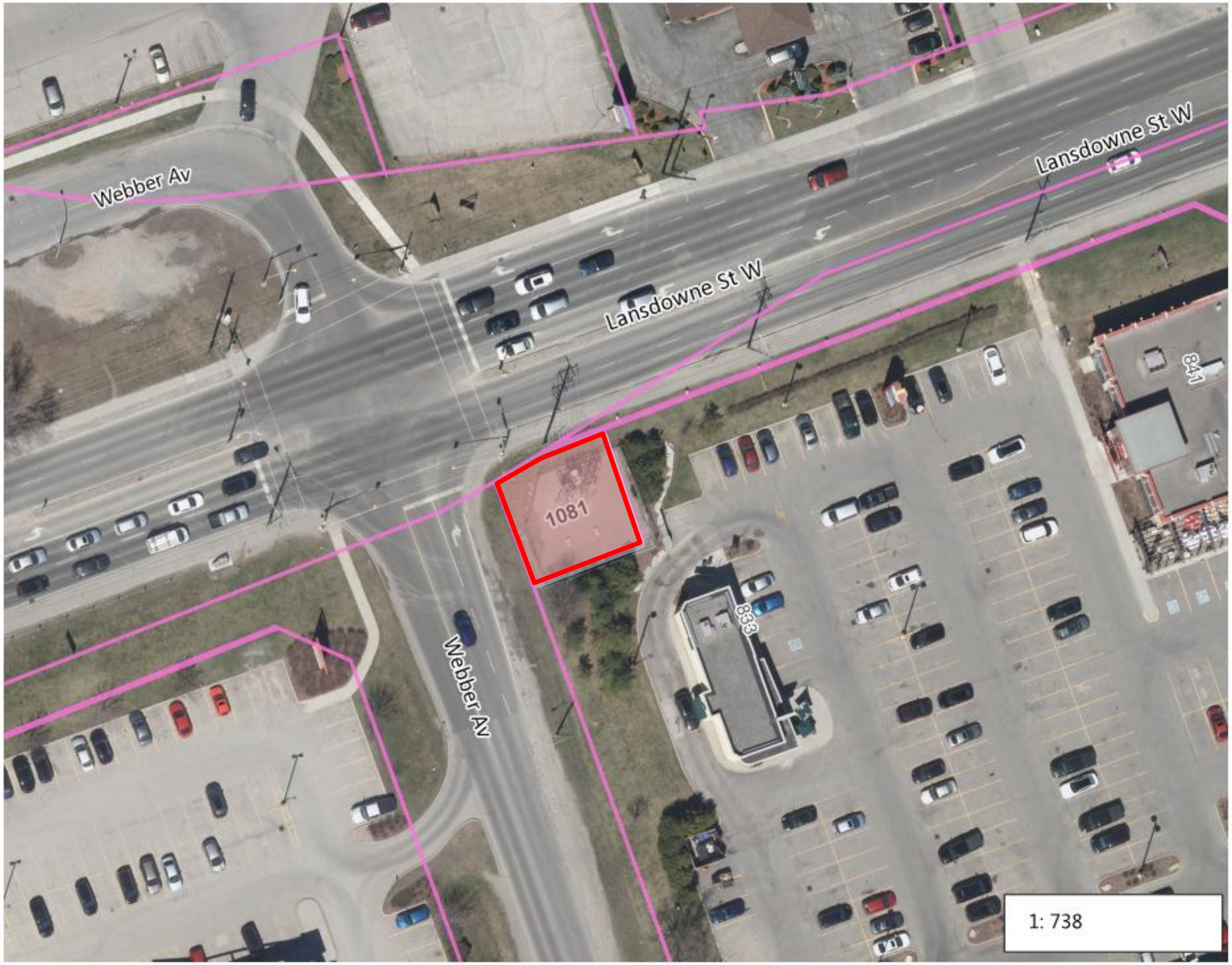
PIN Data

37 0 18.7 37 Meters

NAD_1983_UTM_Zone_17N

City of Peterborough

BS #11 - 1081 Lansdowne St W



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PIN Data

37 0 18.7 37 Meters

NAD_1983_UTM_Zone_17N

City of Peterborough

APPENDIX 1

PERMITTED ENCUMBRANCES

“Permitted Encumbrances” means:

(i) servitudes, easements, restrictions, rights of way and other similar rights in real property or any interest therein, provided that those servitudes, easements, restrictions, rights of way and other similar rights are not of such a nature as to materially impair the exercise of the Rights in connection with the Permitted Use:

(ii) the reservations in any original grants from the Crown of the Land or any interest therein and statutory exceptions to title that do not materially impair the exercise of the Rights in connection with the Permitted Use;

(iii) any encumbrance unless (i) it will materially impair the exercise of the Rights in connection with the Permitted Use: or (ii) can be reasonably determined that the relevant encumbrance will cause a clear and present public safety concern; and

(iii) [INSERT SPECIFIC REGISTRATIONS – Being the instruments registered on title to the Lands as of the date of execution of the APA

SCHEDULE 6.3 – COMMUNITY EVENTS

1. Community Events: The Purchaser shall introduce itself to the community by working with the Advisory Committee to determine the optimum community events to participate in over a three year transition period from closing.

2. Community Promotion / Economic Development: The Purchaser shall make available to the City, at no cost, space on distribution poles in prominent commercial areas for the installation of vertical banners promoting tourism, community events or other messages approved by the City. To participate in this initiative, the City shall sign the Purchaser's municipal attachments agreement and accept responsibility and the terms and conditions for such attachments, and the location of such vertical banners and the associated hardware to install them must be pre-approved by the Purchaser.

3. Community "Ribbon Cutting" Event: The Purchaser commits to holding a special customer appreciation event to celebrate the opening of its new Peterborough facilities, which would give customers the opportunity to speak with local staff about their work, see specialized work equipment, receive information on energy conservation and electrical safety, including electrical safety demonstrations and give-aways for children.

4. School Electrical Safety Presentations: The Purchaser will integrate all Peterborough publicly-funded schools into its rotational schedule for Electrical Safety Presentations targeted at Grade 5 students.

5. School Tree Planting Event and Environmental Talk: As part of its annual Arbour week school educational talks and tree planting events, the Purchaser commits to holding one event each year at a Peterborough school for a minimum of three years following Closing.

6. Participation at career fairs held at local high schools, or post-secondary institutions to encourage students to consider furthering their education in the trades or in Science, Technology, Engineering and Math (STEM) programs that would prepare them for a career in the electricity industry.

   In addition to the above, the City and community charitable and non-profit organizations will have access to the Purchaser's community investment programs, which currently include:

   - Sponsorship of community-based events organized by municipalities and local not-for-profit organizations.

   - Employee Volunteer Grant Program of up to $ 2000 annually for charitable or non-profit organizations with which individual employees volunteer 50 or more hours in a year. Employees can re-apply for this grant annually.

- Annual Charity Campaign contributions to local United Ways and Hydro One Employees' and Pensioners' Charity Campaign contributions to more than 800 charities across Ontario ($1.2 million raised in the 2015 campaign). Employees have the ability to contribute via payroll deduction to their designated local registered charities of choice.

- Hydro One's Safe Community Grants Program provides support of up to $25,000 for projects being implemented by municipal, non-profit or charitable groups to help enhance community safety, security or accessibility (for example, to install security barriers, enhance walking trails for seniors, improve playground structures, etc.).

SCHEDULE 6.5 – RATE CLASSES

Rate Class	Dx Charges	2018
Residential	Service Charge ($/month)	18.98
	Distribution Volumetric Rate ($/kWh)	0.0047
GS < 50 kW	Service Charge ($/month)	31.36
	Distribution Volumetric Rate ($/kWh)	0.0089
GS 50 to 4999 kW	Service Charge ($/month)	160.31
	Distribution Volumetric Rate ($/kW)	2.7323
Large Use	Service Charge ($/month)	6,440.97
	Distribution Volumetric Rate ($/kW)	0.7524

2018 Rates Approved per EB-2017-0266

THE CORPORATION OF THE CITY OF PETERBOROUGH

- and –

CITY OF PETERBOROUGH HOLDINGS INC.

- and –

PETERBOROUGH DISTRIBUTION INC.

- and –

PETERBOROUGH UTILITIES SERVICES INC.

- and –

1937680 ONTARIO INC.

- and –

HYDRO ONE INC.

AMENDING AGREEMENT FOR THE ASSET PURCHASE AGREEMENT

Dated the day of September, 2018

WHEREAS the above-named Parties entered into an Asset Purchase Agreement dated the 31st day of July, 2018 ("the SPA");

AND WHEREAS the Transactions contemplated by the APA have not yet occurred;

AND WHEREAS the passing of time has resulted in the need for the Parties to amend the APA to ensure that their mutual intent in entering to the SPA is realized;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the respective covenants, agreements, representations and warranties of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties covenant and agree to the terms of this Amending Agreement for the Share Purchase Agreement ("Amending Agreement"), as follows.

1. Section 7.1 of the APA is hereby amended by deleting “sixty (60) days” and replacing it with “seventy-six (76) days”.

2. Section 7.2 of the APA is hereby amended by deleting “seventy-five (75) days” and replacing it with “ninety (90) days”.

IN WITNESS WHEREOF this Amending Agreement has been executed by the Parties as of the date first written above.

THE CORPORATION OF THE CITY OF PETERBOROUGH

Name: Daryl Bennett
Title: Mayor

Name: John Kennedy
Title: City Clerk

I/We have authority to bind the corporation.

PETERBOROUGH DISTRIBUTION INC.

Name: John Stephenson
Title: President & Chief Executive Officer
I have authority to bind the corporation.

PETERBOROUGH UTILITIES SERVICES INC.

Name: John Stephenson
Title: President & Chief Executive Officer
I have authority to bind the corporation.

HYDRO ONE INC.

Name: Paul Dobson
Title: CFO, Acting President and CEO
I have authority to bind the corporation.

1937680 ONTARIO INC.

Name: James Scarlett
Title: Executive Vice President and Chief Legal Officer
I have authority to bind the corporation.

CITY OF PETERBOROUGH HOLDINGS INC.

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CITY OF PETERBOROUGH HOLDINGS INC.

Name: John Stephenson
Title: President & Chief Executive Officer
I have authority to bind the corporation.

RESOLUTION OF THE BOARD OF DIRECTORS
OF
CITY OF PETERBOROUGH HOLDINGS INC.
(the "Corporation")

RE: SALE TO HYDRO ONE

RECITALS:

A. Peterborough Distribution Inc. ("**PDI**") is a local electricity distribution company owning certain plant and equipment by which it distributes electricity to consumers and businesses within the boundaries of the City of Peterborough (the "**City**"), the Village of Lakefield and the Town of Norwood (the "**Business**").

B. Pursuant to the shareholder direction and unanimous shareholder declaration dated July 30, 2012 governing the Corporation and its subsidiaries, the City passed By-Law Number 16-173 authorizing the Corporation to sell substantially all of the assets of PDI to Hydro One Inc. for the consideration and pursuant to the terms and conditions set out in the signed proposal letter and term sheet from Hydro One Inc. to the Corporation, dated September 26, 2016 (the "**Transaction**").

C. Pursuant to the Transaction, the Corporation intends to enter into an agreement with The Corporation of the City of Peterborough, PDI, Peterborough Utilities Services Inc., 1937680 Ontario Inc. (the "**Purchaser**") and Hydro One Inc. dated ________ July 30 ____, 2018 (the "**Asset Purchase Agreement**").

D. Pursuant to the Transaction, the Corporation intends to enter into an agreement with 26422830 Ontario Inc. ("**ServiceCo**"), the Purchaser and Hydro One Networks Inc. ("**HONI**") dated ________ July 30 ____, 2018 (the "**Transition Services Agreement**") providing for ServiceCo to perform the Services (as such term is defined in the Transition Services Agreement) until the completion of the integration of the Business with HONI's existing electricity distribution business.

E. In this resolution, "**Authorized Signing Officer**" means any of the following individuals:

John Stephenson
Dave Paterson
Scott Baker

BE IT RESOLVED THAT:

1. The entering into and execution of the Asset Purchase Agreement and the Transition Services Agreement by the Corporation are hereby approved, ratified, and confirmed.

2. Any one Authorized Signing Officer, acting alone, is authorized, for and on behalf of the Corporation, to do all such acts and things and to execute and deliver all such agreements, contracts, certificates, instruments or other

documents, and any amendments, modifications, restatement, supplements, confirmations or other documents from time to time and to do all such other acts and things as any such Authorized Signing Officer may determine to be necessary, appropriate, advisable or desirable in connection with the Transaction, the Asset Purchase Agreement and the Transition Services Agreement, and to facilitate the completion of the Transaction or any related transaction, the execution and delivery of such agreements, contracts, certificates, instruments, in each case on substantially the same terms as the Asset Purchase Agreement and the Transition Services Agreement, and other documents and any such amendment, modification, restatement, supplement, confirmation or other document or the doing of any such other act or thing by any such Authorized Signing Officer.

[Signature Page Follows]

The foregoing resolution is signed by all the directors of the Corporation pursuant to the *Business Corporations Act* (Ontario) as of the 30th day of July, 2018.

Scott Baker	Daryl Bennett
David Bignell	Nancy Brown Andison
Louise Lalonde	Arlynn Dupuis
Dan McWilliams	David Paterson
Ross Garland	

RESOLUTION OF THE BOARD OF DIRECTORS
OF
PETERBOROUGH DISTRIBUTION INC.
(the "Corporation")

RE: SALE TO HYDRO ONE

RECITALS:

A. The Corporation is a local electricity distribution company owning certain plant and equipment by which it distributes electricity to consumers and businesses within the boundaries of the City of Peterborough, the Village of Lakefield and the Town of Norwood (the "**Business**").

B. Pursuant to the shareholder direction and unanimous shareholder declaration dated July 30, 2012 governing City of Peterborough Holdings Inc. ("**COPHI**") and its subsidiaries, including the Corporation, the City passed By-Law Number 16-173 authorizing COPHI to sell substantially all of the assets of the Corporation to Hydro One Inc. for the consideration and pursuant to the terms and conditions set out in the signed proposal letter and term sheet from Hydro One Inc. to COPHI, dated September 26, 2016 (the "**Transaction**").

C. Pursuant to the Transaction, the Corporation intends to enter into an agreement with The Corporation of the City of Peterborough, PDI, Peterborough Utilities Services Inc. ("**PUSI**"), 1937680 Ontario Inc. (the "**Purchaser**") and Hydro One Inc. dated ________ ______July 30___, 2018 (the "**Asset Purchase Agreement**") providing for the sale of the Business by the Corporation and PUSI to the Purchaser (the "**Transaction**").

D. In this resolution, **"Authorized Signing Officer"** means any of the following individuals:

John Stephenson
Dave Paterson

BE IT RESOLVED THAT:

1. The entering into and execution of the Asset Purchase Agreement by the Corporation is hereby approved, ratified, and confirmed.

2. Any one Authorized Signing Officer, acting alone, is authorized, for and on behalf of the Corporation, to do all such acts and things and to execute and deliver all such agreements, contracts, certificates, instruments or other documents, and any amendments, modifications, restatement, supplements, confirmations or other documents from time to time and to do all such other acts and things as any such Authorized Signing Officer may determine to be necessary, appropriate, advisable or desirable in connection with the Transaction, the Asset Purchase Agreement, and to facilitate the completion of the Transaction or any related transaction, the execution and delivery of such agreements, contracts, certificates, instruments, in each case on substantially the same terms

as the Asset Purchase Agreement, and other documents and any such amendment, modification, restatement, supplement, confirmation or other document or the doing of any such other act or thing by any such Authorized Signing Officer.

[Signature Page Follows]

The foregoing resolution is signed by all the directors of the Corporation pursuant to the *Business Corporations Act* (Ontario) as of the 30th day of July, 2018.

David Paterson

Dan McWilliams

Bryan Weir

RESOLUTION OF THE BOARD OF DIRECTORS
OF
PETERBOROUGH UTILITIES SERVICES INC.
(the "Corporation")

RE: SALE TO HYDRO ONE

RECITALS:

A. Peterborough Distribution Inc. ("**PDI**") is a local electricity distribution company owning certain plant and equipment by which it distributes electricity to consumers and businesses within the boundaries of the City of Peterborough, the Village of Lakefield and the Town of Norwood (the "**Business**").

B. Pursuant to the shareholder direction and unanimous shareholder declaration dated July 30, 2012 governing City of Peterborough Holdings Inc. ("**COPHI**") and its subsidiaries, including the Corporation, the City passed By-Law Number 16-173 authorizing COPHI to sell substantially all of the assets of PDI to Hydro One Inc. for the consideration and pursuant to the terms and conditions set out in the signed proposal letter and term sheet from Hydro One Inc. to COPHI, dated September 26, 2016 (the "**Transaction**").

C. Pursuant to the Transaction, the Corporation intends to enter into an agreement with The Corporation of the City of Peterborough, COPHI, PDI, 1937680 Ontario Inc. (the "**Purchaser**") and Hydro One Inc. dated July 30, 2018 (the "**Asset Purchase Agreement**") providing for the sale of the Business by the Corporation and PDI to the Purchaser (the "**Transaction**").

D. In connection with the Asset Purchase Agreement and the Transaction, the Corporation as Landlord and the Purchaser as Tenant are entering into a Lease in order to set out the terms and conditions on which the Tenant will lease certain portions of the property known municipally as 1867 Ashburnham Drive, Peterborough, Ontario, and legally described as PT LT 16-17 PL 7A PETERBOROUGH; PT LT 18-19 PL 20A PETERBOROUGH AS IN R685208 EXCEPT PT 3 45R8456; S/T R685208; S/T R158994; PETERBOROUGH, being PIN 28140-0239 (LT) (the "**Lease**").

E. PDI and Elster Canadian Meter Company ("**Elster**") were party to an EnergyAxis Supply Contract dated May 28, 2009, as amended (the "**Elster Agreement**") pursuant to which Elster hosted PDI's Head End System and performed certain services for and on behalf of PDI relating to the operation and maintenance of the electricity meters owned by PDI and the Water Meters.

F. The Elster Agreement was amended and restated to remove the provision of services and the associated costs relating to Water Meters and to reduce the costs payable by PDI in the proportion that the number of Water Meters bears to the number of total Meters on the AMI and PDI assigned, and the Purchaser assumed, the rights and obligations under the amended and restated Elster Agreement, (2) PDI entered into an agreement with Elster in connection with the provision of services for Water Meters (the "**Elster Water Services Agreement**"), (3) PDI's licence with [insert full name of Elster licensor] was amended to permit assignment to the Purchaser and from the Purchaser to Hydro One Networks Inc. ("**HONI**"), and PDI obtained a licence from [Elster licensor] to permit the use of the PDI's HES for the benefit of the Peterborough Utilities Commission as contemplated hereby.

G. The Corporation requires that the Purchaser (1) permit the use of a portion of the AMI by the Corporation and Elster for the purposes of billing water consumption, and (2) permit access to Elster to the Head End System for the purposes of facilitating software and firmware updates to the Water Meters in accordance with the terms of the Elster Water Services Agreement, all as contemplated herein as detailed in the signal hop agreement between the Corporation, the Purchaser and HONI (the "**Signal Hop Agreement**").

H. Capitalized terms in sections D, E and F not defined therein, shall have the meaning ascribed to them in the Elster Agreement.

I. In this resolution, **"Authorized Signing Officer"** means any of the following individuals:

John Stephenson
Scott Baker
Daryl Bennett

BE IT RESOLVED THAT:

1. The entering into and execution of the Asset Purchase Agreement, the Lease and the Signal Hop Agreement by the Corporation is hereby approved, ratified, and confirmed.

2. Any one Authorized Signing Officer, acting alone, is authorized, for and on behalf of the Corporation, to do all such acts and things and to execute and deliver all such agreements, contracts, certificates, instruments or other documents, and any amendments, modifications, restatement, supplements, confirmations or other documents from time to time and to do all such other acts and things as any such Authorized Signing Officer may determine to be necessary, appropriate, advisable or desirable in connection with the Transaction, the Asset Purchase Agreement, the Lease and Signal Hop Agreement, and to facilitate the completion of the Transaction or any related transaction, the execution and delivery of such agreements, contracts, certificates, instruments, in each case on substantially the same terms as the Asset Purchase Agreement, the Lease and Signal Hop Agreement and other documents and any such amendment, modification, restatement, supplement, confirmation or other document or the doing of any such other act or thing by any such Authorized Signing Officer.

[Signature Page Follows]

The foregoing resolution is signed by all the directors of the Corporation pursuant to the *Business Corporations Act* (Ontario) as of the 30th day of July, 2018.

Scott Baker

Daryl Bennett

David Bignell

CERTIFIED COPY OF RESOLUTION
OF THE BOARDS OF DIRECTORS OF
HYDRO ONE LIMITED/HYDRO ONE INC.
(the "Corporations")

The undersigned hereby certifies that set out below is a true copy of the resolutions passed by all of the Directors at the meeting of the Boards of Directors of Hydro One Limited and Hydro One Inc. held on May 4, 2017.

HYDRO ONE LIMITED/HYDRO ONE INC.
(the "Corporations")

RESOLUTIONS OF THE BOARDS OF DIRECTORS

"10. Acquisition of Peterborough Distribution Inc.

RESOLVED THAT:

1. The acquisition of the business of Peterborough Hydro by the Corporation at up to the maximum purchase price of $105,000,000 (the "Purchase Price"), subject to adjustment and otherwise on such terms as management may in its discretion determine, be and is hereby approved. The President and Chief Executive Officer or his delegate(s), is hereby authorized and directed, for and on behalf of the Corporation to negotiate, finalize, execute and deliver any and all further documents, agreements, authorizations, elections or other instruments and to take any and all such further action as such officer or delegate(s), in such person's sole direction may deem necessary or desirable in order to give effect to the matters contemplated in this resolution, the execution and delivery of any such documents, agreements, authorizations, elections or other instruments or the doing of any such other act or thing by such person to be conclusive evidence of such determination.

2. The execution by Networks of the Facilities Agreement be and is hereby approved. The President and Chief Executive Officer or his delegate(s), is hereby authorized and directed, for and on behalf of Networks to negotiate, finalize, execute and deliver any and all further documents, agreements, authorizations, elections or other instruments and to take any and all such further action as such officer or delegate(s), in such person's sole direction may deem necessary or desirable in order to give effect to the matters contemplated in this resolution, the execution and delivery of any such documents, agreements, authorizations, elections or other instruments or the doing of any such other act or thing by such person to be conclusive evidence of such determination.

3. The execution by the Purchaser of the Transition Services Agreement be and is hereby approved. The President and Chief Executive Officer or his delegate(s), is hereby authorized and directed, for and on behalf of the Purchaser to negotiate, finalize, execute and deliver any and all further documents, agreements, authorizations, elections or other instruments and to take any and

all such further action as such officer or delegate(s), in such person's sole direction may deem necessary or desirable in order to give effect to the matters contemplated in this resolution, the execution and delivery of any such documents, agreements, authorizations, elections or other instruments or the doing of any such other act or thing by such person to be conclusive evidence of such determination."

Certified at Toronto, Ontario this 4th day of October, 2018.

M Wareham

Maureen Wareham
Corporate Secretary
Hydro One Limited/Hydro One Inc.

Customer Bill Impacts

	Residential					
	Volume	**Current Rates**	**Current Charges ($)**	**Rates as per Acquisition Agreement**	**Charges as per Acquisition Agreement ($)**	**% Change**
Monthly Consumption (kWh)	**750**					
Total Loss Factors	**1.0548**					
TOU - Off Peak Consumption	488	$0.065	$31.69	$0.065	$31.69	
TOU - Mid Peak Consumption	128	$0.094	$11.99	$0.094	$11.99	
TOU - On Peak Consumption	135	$0.132	$17.82	$0.132	$17.82	
Total: Commodity			**$61.49**		**$61.49**	**0.00%**
DX Fixed Charge ($)	1	$18.98	$18.98	$18.79	$18.79	
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	
DX Vol. Charge ($/kWh)	750	$0.0047	$3.53	$0.00465	$3.49	
DX Low Voltage Charge ($/kWh)	750	$0.0010	$0.75	$0.0010	$0.75	
DX Vol. Rate Riders ($/kWh)	750	-$0.0009	-$0.68	-$0.0009	-$0.68	
Distribution Base Rates Only			**$23.26**		**$23.03**	**-0.98%**
Smart Meter Entity Charge ($)	1	$0.57	$0.57	$0.57	$0.57	
Cost of Losses ($/kWh)	41	$0.082	$3.37	$0.082	$3.37	
Distribution Pass-through Charges			**$3.94**		**$3.94**	**0.00%**
Total: Distribution			**$26.52**		**$26.29**	**-0.86%**
TX-Network ($/kWh)	791	$0.0073	$5.78	$0.0073	$5.78	
TX-Connection ($/kWh)	791	$0.0061	$4.83	$0.0061	$4.83	
Total: Transmission			**$10.60**		**$10.60**	**0.00%**
WMSC ($/kWh)	791	$0.0036	$2.85	$0.0036	$2.85	
RRRP ($/kWh)	791	$0.0003	$0.24	$0.0003	$0.24	
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	
Total: Regulatory			**$3.34**		**$3.34**	**0.00%**
Total Bill (Before Taxes)			$101.95		$101.72	
HST		13%	$13.25	13%	$13.22	
OREC		-8%	-$8.16	-8%	-$8.14	
Total Bill (Including HST & OREC)			**$107.05**		**$106.81**	**-0.22%**

Customer Bill Impacts

	General Service Less Than 50kW					
	Volume	**Current Rates**	**Current Charges ($)**	**Rates as per Acquisition Agreement**	**Charges as per Acquisition Agreement ($)**	**% Change**
Monthly Consumption (kWh)	**2,000**					
Total Loss Factors	**1.0548**					
TOU - Off Peak Consumption	1,300	$0.065	$84.50	$0.065	$84.50	
TOU - Mid Peak Consumption	340	$0.094	$31.96	$0.094	$31.96	
TOU - On Peak Consumption	360	$0.132	$47.52	$0.132	$47.52	
Total: Commodity			**$163.98**		**$163.98**	**0.00%**
DX Fixed Charge ($)	1	$31.36	$31.36	$31.05	$31.05	
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	
DX Vol. Charge ($/kWh)	2,000	$0.0089	$17.80	$0.0088	$17.60	
DX Low Voltage Charge ($/kWh)	2,000	$0.0009	$1.80	$0.0009	$1.80	
DX Vol. Rate Riders ($/kWh)	2,000	-$0.0009	-$1.80	-$0.0009	-$1.80	
Distribution Base Rates Only			**$50.96**		**$50.45**	**-1.00%**
Smart Meter Entity Charge ($)	1	$0.57	$0.57	$0.57	$0.57	
Cost of Losses ($/kWh)	110	$0.082	$8.99	$0.082	$8.99	
Distribution Pass-through Charges			**$9.56**		**$9.56**	**0.00%**
Total: Distribution			**$60.52**		**$60.01**	**-0.84%**
TX-Network ($/kWh)	2,110	$0.0067	$14.13	$0.0067	$14.13	
TX-Connection ($/kWh)	2,110	$0.0056	$11.81	$0.0056	$11.81	
Total: Transmission			**$25.95**		**$25.95**	**0.00%**
WMSC ($/kWh)	2,110	$0.0036	$7.59	$0.0036	$7.59	
RRRP ($/kWh)	2,110	$0.0003	$0.63	$0.0003	$0.63	
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	
Total: Regulatory			**$8.48**		**$8.48**	**0.00%**
Total Bill (Before Taxes)			$258.92		$258.41	
HST		13%	$33.66	13%	$33.59	
OREC		-8%	-$20.71	-8%	-$20.67	
Total Bill (Including HST)			**$271.87**		**$271.33**	**-0.20%**

Customer Bill Impacts

	General Service 50 to 4,999 kW					
	Volume	Current Rates	Current Charges ($)	Rates as per Acquisition Agreement	Charges as per Acquisition Agreement ($)	% Change
Monthly Consumption (kWh)	**182,500**					
Peak (kW)	**250**					
Total Loss Factors	**1.0548**					
Commodity Charges	192,501	$0.1101	$21,194.36	$0.1101	$21,194.36	
Total: Commodity			**$21,194.36**		**$21,194.36**	**0.00%**
DX Fixed Charge ($)	1	$160.31	$160.31	$158.71	$158.71	
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	
DX Vol. Charge ($/kW)	250	$2.7323	$683.08	$2.7050	$676.25	
DX Low Voltage Charge ($/kW)	250	$0.3277	$81.93	$0.3277	$81.93	
DX Vol. Rate Riders ($/kW)	250	-$0.3623	-$90.58	-$0.3623	-$90.58	
Distribution Base Rates Only			**$925.31**		**$916.89**	**-0.91%**
Total: Distribution			**$834.74**		**$826.31**	**-1.01%**
TX-Network ($/kW)	250	$2.7038	$675.95	$2.7038	$675.95	
TX-Connection ($/kW)	250	$2.1415	$535.38	$2.1415	$535.38	
Total: Transmission			**$1,211.33**		**$1,211.33**	**0.00%**
WMSC ($/kWh)	192,501	$0.0036	$693.00	$0.0036	$693.00	
RRRP ($/kWh)	192,501	$0.0003	$57.75	$0.0003	$57.75	
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	
Total: Regulatory			**$751.00**		**$751.00**	**0.00%**
Total Bill (Before Taxes)			$23,991.42		$23,983.00	
HST		13%	$3,118.89	13%	$3,117.79	
Total Bill (Including HST)			**$27,110.31**		**$27,100.79**	**-0.04%**

Customer Bill Impacts

	Large Use					
	Volume	**Current Rates**	**Current Charges ($)**	**Rates as per Acquisition Agreement**	**Charges as per Acquisition Agreement ($)**	**% Change**
Monthly Consumption (kWh)	**3,650,000**					
Peak (kW)	**5,000**					
Total Loss Factors	**1.0172**					
Commodity Charges	3,712,780	$0.1101	$408,777.08	$0.1101	$408,777.08	
Total: Commodity			**$408,777.08**		**$408,777.08**	**0.00%**
DX Fixed Charge ($)	1	$6,440.97	$6,440.97	$6,376.56	$6,376.56	
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	
DX Vol. Charge ($/kW)	5,000	$0.7524	$3,762.00	$0.7449	$3,724.50	
DX Low Voltage Charge ($/kW)	5,000	$0.4014	$2,007.00	$0.4014	$2,007.00	
DX Vol. Rate Riders ($/kW)	5,000	-$0.6113	-$3,056.50	-$0.6113	-$3,056.50	
Distribution Base Rates Only			**$12,209.97**		**$12,108.06**	**-0.83%**
Total: Distribution			**$9,153.47**		**$9,051.56**	**-1.11%**
TX-Network ($/kW)	5,000	$3.1855	$15,927.50	$3.1855	$15,927.50	
TX-Connection ($/kW)	5,000	$2.6237	$13,118.50	$2.6237	$13,118.50	
Total: Transmission			**$29,046.00**		**$29,046.00**	**0.00%**
WMSC ($/kWh)	3,712,780	$0.0036	$13,366.01	$0.0036	$13,366.01	
RRRP ($/kWh)	3,712,780	$0.0003	$1,113.83	$0.0003	$1,113.83	
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	
Total: Regulatory			**$14,480.09**		**$14,480.09**	**0.00%**
Total Bill (Before Taxes)			$461,456.64		$461,354.73	
HST		13%	$59,989.36	13%	$59,976.11	
Total Bill (Including HST)			**$521,446.00**		**$521,330.84**	**-0.02%**

Determination of Rate Riders as Per Acquisition Agreement

Rate Class	Distribution Charges	Rate Rider	
		PDI Distribution Rates Effective May 1, 2018 EB-2017-0266	Proposed Rate Riders per Acquisition Agreement
		A	B = A x (-0.01)
Residential	Service Charge ($)	18.98	-0.19
	Distribution Volumetric Rate ($/kWh)	0.0047	-0.00005
General Service Less Than 50kW	Service Charge ($)	31.36	-0.31
	Distribution Volumetric Rate ($/kWh)	0.0089	-0.0001
General Service 50 to 4,999 kW	Service Charge ($)	160.31	-1.60
	Distribution Volumetric Rate ($/kW)	2.7323	-0.0273
Large Use	Service Charge ($)	6,440.97	-64.41
	Distribution Volumetric Rate ($/kW)	0.7524	-0.0075

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

RESIDENTIAL SERVICE CLASSIFICATIONS

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	18.98
Smart Metering Entity Charge - effective until December 31, 2022	$	0.57
Fixed Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$	(0.19)
Distribution Volumetric Rate	$/kWh	0.0047
Low Voltage Service Rate	$/kWh	0.0010
Volumetric Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$/kWh	(0.00005)
Retail Transmission Rate - Network Service Rate	$/kWh	0.0073
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0061

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non-residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. General Service class customers are defined as all buildings not classified as residential. A customer must remain in its customer class for a minimum of twelve (12) months before being reassigned to another class. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	31.36
Smart Metering Entity Charge - effective until December 31, 2022	$	0.57
Fixed Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$	(0.31)
Distribution Volumetric Rate	$/kWh	0.0089
Low Voltage Service Rate	$/kWh	0.0009
Volumetric Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	$/kWh	0.0067
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0056

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to all buildings not classified as residential and having a service connection capable of load delivery equal to or above 50 kW or having an average monthly peak demand equal to or greater than 50 kW over a twelve month period, but less than 5,000 kW. A customer must remain in its customer class for a minimum of twelve (12) months before being reassigned to another class. Customers who require service connections above 1,000 kVA must supply and own the primary conductors, switchgear and their own transformation above the maximum supplied by Peterborough Distribution Inc. (see Section 3.3 of Conditions of Service). The maximum allowable service connection on the 27.6 kV system is 5,000 kVA. Customers have the option of ownership of transformation at all sizes and are required to own the transformation above the maximum levels supplied by Peterborough Distribution Inc. If a customer decides or is required to own their transformation, the transformer specifications and its loss evaluation require approval from Peterborough Distribution Inc. The customer is required to compensate Peterborough Distribution Inc. for transformer losses that exceed the maximum acceptable losses. The customer will receive a transformer allowance as specified in the current rate schedule for privately owned transformation.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	160.31
Fixed Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$	(1.60)
Distribution Volumetric Rate	$/kW	2.7323
Low Voltage Service Rate	$/kW	0.3277
Volumetric Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$/kW	(0.0273)
Retail Transmission Rate - Network Service Rate	$/kW	2.7038
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	2.1415

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

LARGE USE SERVICE CLASSIFICATION

This classification refers to the supply of electrical energy to General Service Customers requiring a connection with a connected load or whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	6,440.97
Fixed Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$	(64.41)
Distribution Volumetric Rate	$/kW	0.7524
Low Voltage Service Rate	$/kW	0.4014
Volumetric Acquisition Rate Rider – in effect for five years from the beginning of the rate deferral period	$/kW	(0.0075)
Retail Transmission Rate - Network Service Rate	$/kW	3.1855
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	2.6237

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	2.13
Distribution Volumetric Rate	$/kWh	0.0281
Low Voltage Service Rate	$/kWh	0.0009
Retail Transmission Rate - Network Service Rate	$/kWh	0.0067
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0056

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification covers sentinel lights used for security or other commercial activities. All attempts must be made to connect these loads to a metered service where possible. The customer is required to provide details of the connected load and usage pattern prior to connecting to the distribution system. The customer owns all the equipment and facilities from the load side of the connection to the distribution system. The connection shall be made to the distribution system as approved by Peterborough Distribution Inc. Peterborough Distribution Inc. has operational control of the connection to the distribution system. The customer is responsible for any requirements under the Ontario Electrical Safety Code and is required to have all equipment inspected and approved by the Electrical Safety Authority. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	11.83
Distribution Volumetric Rate	$/kW	4.7157
Low Voltage Service Rate	$/kW	0.2602
Retail Transmission Rate - Network Service Rate	$/kW	2.0531
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	1.7006

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date XXX X, 2020
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies only to street lighting equipment owned by the City of Peterborough, other authorized municipalities or the Province of Ontario and operating within the licenced territory of Peterborough Distribution Inc. Included is decorative and seasonal lighting connected to street lighting facilities owned by the City of Peterborough, other authorized municipalities and the Province of Ontario. The customer owns all equipment and facilities from the load side of the connection to the distribution system. The customer is required to provide details of the connected load and usage pattern prior to connecting to the distribution system. Each streetlight is to be individually controlled by a photocell. Underground connections for street lighting require a main disconnect to be installed by the Customer. The customer is responsible for any requirements under the Ontario Electrical Safety Code and is required to have all equipment inspected and approved by the Electrical Safety Authority. The customer may retain operational control of any disconnects if authorized by Peterborough Distribution Inc. and operated by qualified personnel. Peterborough Distribution Inc. retains operational control of the connections to the distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	3.22
Distribution Volumetric Rate	$/kW	13.4579
Low Voltage Service Rate	$/kW	0.2541
Retail Transmission Rate - Network Service Rate	$/kW	2.0380
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	1.6609

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Condition of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	5.40

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2018
Effective until the date of integration into Hydro One Networks Billing System
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2017-0266

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

SPECIFIC SERVICE CHARGES

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

Customer Administration

Arrears certificate	$	15.00
Statement of account	$	15.00
Pulling post dated cheques	$	15.00
Duplicate invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement letter	$	15.00
Income tax letter	$	15.00
Notification charge	$	15.00
Account history	$	15.00
Credit reference/credit check (plus credit agency costs)	$	15.00
Returned cheque (plus bank charges)	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00

Non-Payment of Account

Late payment - per month	%	1.50
Late payment - per annum	%	19.56
Collection of account charge - no disconnection	$	30.00
Collection of account charge - no disconnection - after regular hours	$	165.00
Disconnect/reconnect at meter - during regular hours	$	65.00
Disconnect/reconnect at meter - after regular hours	$	185.00
Disconnect/reconnect at pole - during regular hours	$	185.00
Disconnect/reconnect at pole - after regular hours	$	415.00
Install/remove load control device - during regular hours	$	65.00
Install/remove load control device - after regular hours	$	185.00

Other

Service call - customer owned equipment	$	30.00
Service call - after regular hours	$	165.00
Temporary service - install & remove - overhead - no transformer	$	500.00
Temporary service - install & remove - underground - no transformer	$	300.00
Temporary service - install & remove - overhead - with transformer	$	1,000.00
Specific charge for access to the power poles - $/pole/year (with the exception of wireless attachments)	$	22.35

Hydro One Peterborough
TARIFF OF RATES AND CHARGES
Effective and Implementation Date as of Integration into Hydro One Networks Inc.'s Billing System XXX X, 20XX

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-XXXX

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

Customer Administration

Arrears certificate	$	15.00
Easement charge for unregistered rights	$	15.00
Returned cheque charge (plus bank charges)	$	15.00
Account set up charge	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00

Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge - no disconnection/Load Limiter	$	30.00
Collection/Disconnect/Load Limiter/Reconnect trip (at meter) - during regular hours	$	65.00
Collection/Disconnect/Load Limiter/Reconnect trip (at meter) - after regular hours	$	185.00
Collection/Disconnect/Load Limiter/Reconnect trip (at pole) - during regular hours	$	185.00
Collection/Disconnect/Load Limiter/Reconnect trip (at pole) - after regular hours	$	415.00

Other

Temporary service install & remove	$	500.00
Specific Charge for Cable and Telecom Companies Access to the Power Poles - $/pole/year	$	41.28
Specific Charge for LDCs Access to the Power Poles - $/pole/year	$	see below
Specific Charge for Generator Access to the Power Poles - $/pole/year	$	see below
Service Layout Fee – Basic	$	640.00
Service Layout Fee – Complex	$	850.00
Crossing Application – Pipeline	$	2,555.00
Crossing Application –Water	$	3,250.00
Crossing Application – Railroad	$	6,120.00
Line Staking - $/meter	$	4.95
Central Metering – New Service < 45 kW	$	120.00
Conversion to Central Metering < 45 kW	$	1,050.00
Conversion to Central Metering > 45 kW	$	930.00
Tingle Voltage Test in excess of 4 hours – per hour (average 2 additional hours)	$	140.00
Standby Administration Charge – per month	$	520.00
Connection Impact Assessment (CIA) Charge – CAE Small DG & Net Metering	$	5,655.00
Connection Impact Assessment (CIA) Charge – Greater than CAE Small DG & Net Metering	$	12,130.00
Sentinel Lights Rental Rate – per month	$	9.51

Issued XXXX XX, 2018

Sentinel Lights Pole Rental Rate – per month	$	4.15
Joint Use for Municipality Streetlights	$	2.04

Specific Charge for LDCs Access to the Power Poles ($/pole/year)

LDC Rate for 10' of power space	$	47.82
LDC Rate for 15' of power space	$	57.38
LDC Rate for 20' of power space	$	64.08
LDC Rate for 25' of power space	$	67.90
LDC Rate for 30' of power space	$	71.73
LDC Rate for 35' of power space	$	74.60
LDC Rate for 40' of power space	$	76.51
LDC Rate for 45' of power space	$	78.42
LDC Rate for 50' of power space	$	79.38
LDC Rate for 55' of power space	$	81.29
LDC Rate for 60' of power space	$	82.25

Specific Charge for Generator Access to the Power Poles ($/pole/year)

Generator Rate for 10' of power space	$	47.82
Generator Rate for 15' of power space	$	57.38
Generator Rate for 20' of power space	$	64.08
Generator Rate for 25' of power space	$	67.90
Generator Rate for 30' of power space	$	71.73
Generator Rate for 35' of power space	$	74.60
Generator Rate for 40' of power space	$	76.51
Generator Rate for 45' of power space	$	78.42
Generator Rate for 50' of power space	$	79.38
Generator Rate for 55' of power space	$	81.29
Generator Rate for 60' of power space	$	82.25

RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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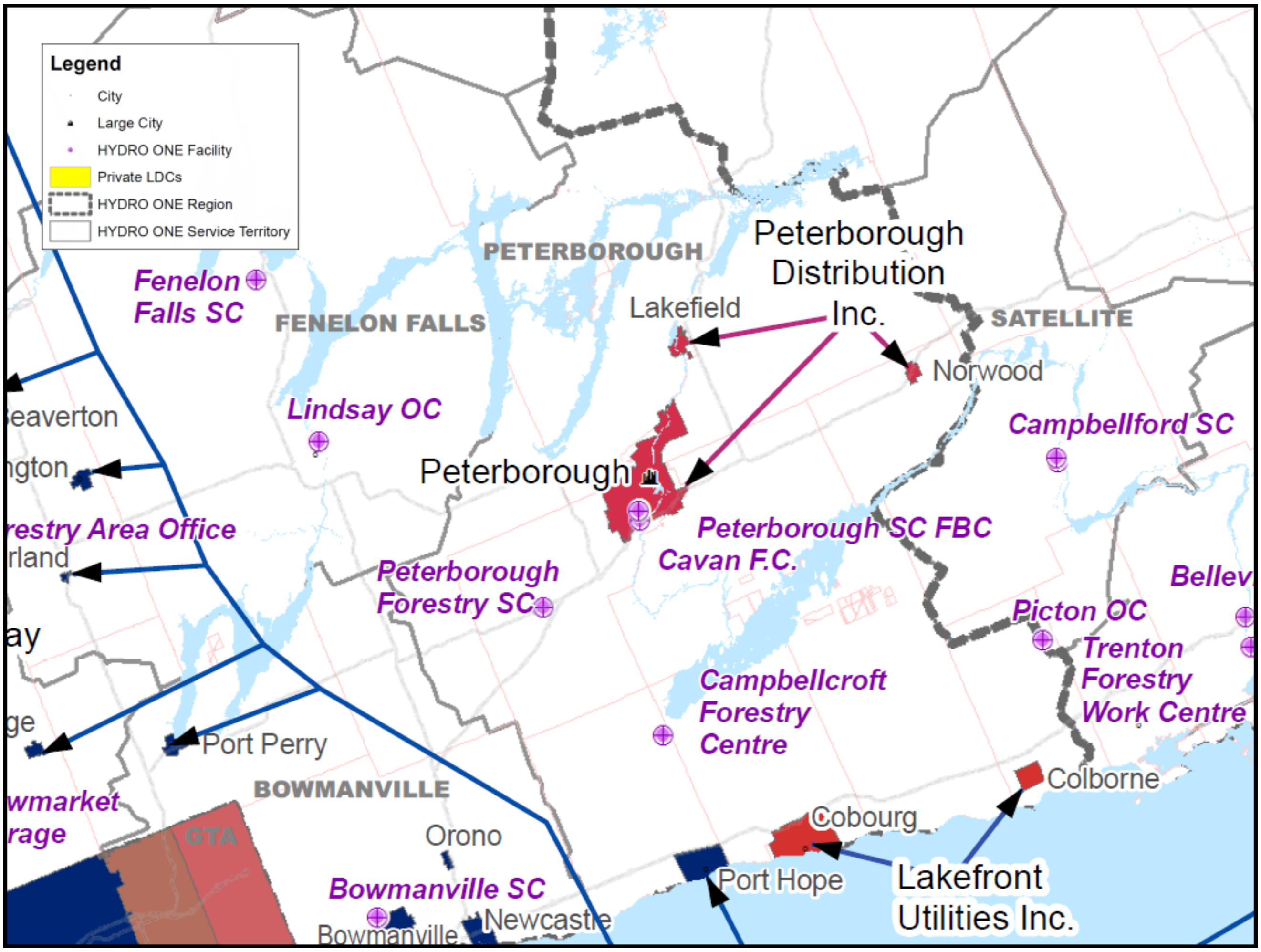
Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly fixed charge, per retailer	$	20.00
Monthly variable charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0548
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0172
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0443
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0070


Legend
City
Large City
HYDRO ONE Facility
Private LDCs
HYDRO ONE Region
HYDRO ONE Service Territory
Peterborough Distribution Inc.
Lakefield
Norwood
Peterborough
PETERBOROUGH
FENELON FALLS
SATELLITE
BOWMANVILLE
GTA
Fenelon Falls SC
Lindsay OC
Campbellford SC
Peterborough SC FBC
Cavan F.C.
Peterborough Forestry SC
Picton OC
Trenton Forestry Work Centre
Campbellcroft Forestry Centre
Bowmanville SC
Port Perry
Orono
Cobourg
Colborne
Port Hope
Newcastle
Bowmanville
Lakefront Utilities Inc.

Ontario Electric Distribution Utility Sector

GIS Date Prepared: Friday, October 05, 2018
Time: 11:13:07 AM

FINANCIAL STATEMENTS OF

PETERBOROUGH DISTRIBUTION INC.

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Peterborough Distribution Inc.

We have audited the accompanying financial statements of Peterborough Distribution Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the auditor's 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, the auditors consider internal controls relevant to the company'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 company's internal controls. 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 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 Peterborough Distribution Inc. as at December 31, 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Notes 1 and 25 of the financial statements which describes the cancellation of the sale of the assets of Peterborough Distribution Inc. to Hydro One Limited.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 9, 2018

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017
(in thousands of dollars)

	2017 $	2016 $
ASSETS		
Current assets		
Cash	5,989	5,335
Accounts receivable	4,606	7,777
Unbilled revenue on customer accounts	9,271	11,106
Income taxes recoverable	270	-
Inventories (note 4)	1,138	1,159
Prepaid expenses	211	99
	21,485	25,476
Other assets		
Property, plant and equipment (note 5)	79,359	77,097
Deferred tax assets (note 14)	1,545	2,123
	80,904	79,220
Regulatory assets (note 6)	721	2,348
	103,110	107,044

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017
(in thousands of dollars)

	2017 $	2016 $
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	9,004	11,996
Income taxes payable	-	109
Customer deposits refundable within one year (note 8)	844	791
Current portion of long-term debt (note 11)	4,306	1,517
	14,154	14,413
Long-term liabilities		
Customer deposits (note 8)	1,732	1,485
Deferred contributions (note 9)	16,915	15,640
Employee future benefits (note 10)	1,065	966
Derivative financial instruments (note 22)	1,238	2,509
Long-term debt (note 11)	34,777	39,083
Due to related parties (note 12)	1,510	1,510
	57,237	61,193
Shareholder's equity		
Share capital (note 13)	21,658	21,658
Accumulated other comprehensive loss (note 19)	(941)	(1,835)
Retained earnings	10,946	10,483
	31,663	30,306
Regulatory liabilities (note 6)	56	1,132
	103,110	107,044

Approved on behalf of the Board

_______________ Director _______________ Director

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF INCOME

For the year ended December 31, 2017
(in thousands of dollars)

	2017 $	2016 $
Revenue		
Power recovery	91,522	103,565
Distribution	14,350	14,598
Other (note 15)	1,574	1,771
	107,446	119,934
Expenses		
Purchased power	90,971	100,686
Operations and administration (note 16)	9,014	8,673
Depreciation (note 5)	3,585	3,424
	103,570	112,783
Income from operations	3,876	7,151
Other expenses (income)		
Net finance costs (note 17)	1,586	1,618
Loss on Employee Future Benefits	-	536
Income before income taxes	2,290	4,997
Provision for income taxes (note 14)		
Current	221	487
Deferred	255	20
	476	507
Net income for the year before net movement on regulatory deferral accounts	1,814	4,490
Net movement on regulatory deferral accounts	(551)	(2,879)
Net income for the year	1,263	1,611

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017
(in thousands of dollars)

	2017 $	2016 $
Net income for the year	1,263	1,611
Other comprehensive income		
Items that will not be reclassified subsequently to net income		
Employee benefit plan actuarial gains (losses)	(54)	-
Related deferred tax	14	-
Items that will be reclassified subsequently to net income		
Change in fair value of derivative instruments	1,271	701
Related deferred tax	(337)	(186)
Other comprehensive income for the year	894	515
Total comprehensive income for the year	2,157	2,126

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017
(in thousands of dollars)

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at January 1, 2016	21,658	10,172	(2,350)	29,480
Net income for the year	-	1,611	-	1,611
Change in fair value of hedging instruments, net of tax	-	-	515	515
Dividends paid	-	(1,300)	-	(1,300)
Balance at December 31, 2016	21,658	10,483	(1,835)	30,306
Balance at January 1, 2017	21,658	10,483	(1,835)	30,306
Net income for the year	-	1,263	-	1,263
Change in fair value of employee future liabilities, net of tax			(40)	(40)
Change in fair value of hedging instruments, net of tax	-	-	934	934
Dividends paid	-	(800)	-	(800)
Balance at December 31, 2017	21,658	10,946	(941)	31,663

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CASH FLOWS

For the year ended December 31, 2017
(in thousands of dollars)

	2017 $	2016 $
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net income for the year	1,263	1,611
Charges to operations not requiring a current cash payment -		
Depreciation	3,585	3,424
Increase in employee future liabilities	45	922
Net finance costs	1,586	1,618
Recognition of contributed capital	(470)	(428)
Current income tax	221	487
Deferred income tax	255	20
	6,485	7,654
Change in non-cash working capital items (note 18)	1,921	(78)
Interest received	125	106
Taxes recovered	(600)	(454)
Receipt of deferred contributions	1,745	1,838
Increase (decrease) in customer deposits	303	(41)
	9,979	9,025
Investing activities		
Purchase of property, plant and equipment	(5,847)	(5,766)
Decrease in regulatory assets and liabilities	551	2,879
	(5,296)	(2,887)
Financing activities		
Proceeds from long-term debt	-	1,500
Repayment of long-term debt	(1,517)	(1,445)
Interest paid	(1,712)	(1,725)
Dividends paid	(800)	(1,300)
	(4,029)	(2,970)
Net increase in cash	654	3,168
Cash - beginning of year	5,335	2,167
Cash - end of year	5,989	5,335

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND DISCONTINUED OPERATIONS

Peterborough Distribution Inc. (the "Company") is an electricity distribution company, wholly owned by the City of Peterborough Holdings Inc. which, in turn, is wholly owned by the Corporation of the City of Peterborough. The Company is incorporated and domiciled in Canada with its head and registered office located at 1867 Ashburnham Drive, Peterborough, ON K9J 6Z5. The Company's distribution rates and conditions for providing services are regulated by the Ontario Energy Board (the "OEB").

On December 15, 2016, the City of Peterborough provided the requisite authorizations to dispose of substantially all of the assets and liabilities, excluding long-term debt and certain lands, of the Company, for sale proceeds of $105 million, and authorized the completion of all necessary legal documentation to effect the disposition in accordance with certain transaction terms.

These financial statements continue to be prepared using generally accepted accounting principles that are applicable to a going concern. As the sale proceeds of $105 million are in excess of the carrying value of the Company assets and liabilities that will be conveyed in the transaction, the basis of measurement continues to be primarily historical cost, as more fully described in the notes to these financial statements. No adjustments have been made to the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, to reflect the impact of the transaction.

As at December 31, 2017, it was expected that the purchase commitment would be finalized in fiscal 2018 with final regulatory approval likely to be received in 2019. Subsequent to year-end additional information arose that reduced the likelihood the transaction would be completed (note 25).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were authorized for issue by the Board of Directors on March 29, 2018.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

(c) Presentation currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand, except when otherwise noted.

2. BASIS OF PREPARATION, continued

(d) Use of significant estimates and judgments

The preparation of the 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgments and estimates made by the Company are outlined below:

(i) Significant Accounting Judgments

- Property, plant and equipment

  The company makes judgments to assess the nature of the costs to be capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depreciation methods and useful lives are appropriate; and distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed.

(ii) Significant Estimates and Assumptions

- Useful lives of property plant and equipment

  Depreciation is based on estimates of the useful lives of each significant component of property plant and equipment. Estimated useful lives are determined based on current facts and past experience, and takes into consideration the anticipated physical life of the asset, technological obsolescence, regulations and independent studies conducted by an independent consulting firm.

- Unbilled revenue

  The measurement of unbilled revenue for electric distribution customers is based on an estimate of the amount of electricity delivered to customers between the date of the last bill and the end of the year.

- Measurement of fair value of financial instruments

  As described in note 22, the Company uses the discounted cash flow model to estimate the fair value of financial instruments for disclosure purposes.

- Measurement of employee future liabilities

  Employee future liabilities are based on certain assumptions arising from an actuarial report prepared by an independent actuary. These assumptions are detailed in note 10.

2. BASIS OF PREPARATION, continued

(e) Accounting for Electricity Regulation

The Company is regulated by the OEB under the authority granted by the Ontario Energy Board Act, 1998 and accounts for the impact of rate regulation by the OEB as follows:

(i) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset, or creation of a liability, and culminating in an adjustment to Company distribution rates, such occurrences are immediately reflected in the Company's accounts.

(ii) Regulatory Accounting Practice

In the absence of a regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities.

Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of the decision and such adjustments are reflected in net income for the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

(a) Revenue Recognition

a. Electricity Distribution

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax. The related cost of power is recorded on the basis of power used.

b. Deferred Contributions

Certain items of property, plant and equipment are acquired or constructed with financial assistance in the form of contributions from developers ("deferred contributions"). Such contributions, whether in cash or in-kind, are recognized as deferred contributions and amortized into net income over the life of the related assets. Deferred contributions in-kind are valued at their fair value at the date of their contribution.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The deferred contributions represent the Company's obligation to continue to provide the customers access to the supply of electricity.

c. Conservation and Demand Management ("CDM")

Performance incentive payments under CDM programs are recognized as revenue by the Company when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

d. Other

Other revenues are recognized when the services are rendered.

(b) Financial Instruments

- Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the settlement date of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets, which it has classified as loans and receivables:

- Cash
- Accounts receivable
- Unbilled revenue on customer accounts

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

- Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the settlement date of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The Company has the following non-derivative financial liabilities, which it has classified as other financial liabilities:

- Accounts payable and accrued liabilities
- Customer deposits
- Due to related parties
- Long-term debt

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

- Derivative financial instruments and hedge accounting

Derivative financial instruments in the form of interest rate swap contracts are used to manage exposure to fluctuations in interest rates on the Company's long-term debt. The contracts are designated as hedges, and therefore any gain or loss, net of tax, is included in other comprehensive income.

(c) Cash

Cash consists of balances held with Canadian financial institutions.

(d) Inventories

Inventory consists of distribution system maintenance and construction materials and is valued at the lower of moving average cost and replacement cost. Cost includes expenditures incurred in acquiring the materials and other costs incurred to bring the assets to their existing location and condition. Major spare parts and stand-by equipment are recorded in property, plant and equipment.

(e) Property, plant and equipment

- *Recognition and measurement*

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation, and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset.

In circumstances where parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Major spare parts and standby equipment are recognized as items of PP&E.

The cost and related accumulated depreciation for identifiable PP&E, such as substations, remain in the accounts until the assets are retired or disposed of at which time any gain or loss is reflected in operations. PP&E which are recorded on a group basis, such as meters, are removed from the accounts only at the end of their estimated service lives.

- *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

- *Depreciation*

Depreciation of PP&E is recognized on a straight-line basis designed to amortize the assets over their estimated useful lives as follows:

Buildings	35 – 50 years
Substations	20 – 45 years
Distribution lines	30 – 70 years
Transformers	35 – 60 years
Meters	15 – 25 years
Other	4 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Work in process assets are not depreciated until the project is complete and ready for use.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of the item.

(f) Deferred contributions

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred contributions.

Deferred contributions represent the Company’s obligation to continue to provide customers access to the supply of electricity and is amortized to income over the economic useful life of the contributed asset.

(g) Employee benefits

i. O.M.E.R.S.

The Company participates in an industry-wide multi-employer post-employment defined benefit pension plan, the Ontario Municipal Employees Retirement Systems (O.M.E.R.S).

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Both participating employers and employees are required to make plan contributions based on the employees' contributory earnings. The Company recognizes its employee benefit expense related to this plan as the contributions are made.

ii. Vested sick leave benefits

After five years of service with the Company or a related company upon retirement or termination, the Company has agreed to pay at the employee's then current pay rate; the lesser of one-half of the employee's accumulated sick leave benefits or 130 days. For those employees who commenced employment on or after April 1, 1982, the amount will not exceed 130 days or the number of years of service prior to April 1, 2007, times six days.

For financial statement purposes the liability is valued at the total of each employee's current vested sick leave hours at current pay rates in accordance with the above formula.

iii. Employee benefits plans

The Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. These defined benefit plans are not funded. Accordingly, there are no plan assets.

The Company's net obligation in respect of these is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from these plans in other comprehensive income during the period in which they occur and all expenses related to defined benefit plans in profit or loss. The actuarial gains and losses are not reclassified to net income in subsequent periods.

iv. Short-term employee benefits

Short-term employee benefit obligations, including accumulating vested sick leave and vacation, are measured on an undiscounted basis using management's best estimates and are expensed as the related service is provided.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in comprehensive income using the effective interest method.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other finance charges that the Company incurs in borrowing funds.

(h) Corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes ("PIL's") to Ontario Electricity Financial Corporation ("OEFC"). The payments in lieu of taxes are calculated on a basis as if the Company was a taxable company under the Income Tax Act (Canada).

Corporate income taxes are calculated using the deferred income tax liability and asset method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset and its carrying amount on the statement of financial position are used to calculate deferred tax liabilities or assets. Deferred tax liabilities or assets are measured using tax rates anticipated to apply in the periods that the temporary differences are expected to be realized or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the year in which the change occurs.

(i) Impairment

- *Financial assets (including accounts receivable)*

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for accounts receivable at both a specific asset and collective level. All individually significant accounts receivable are assessed for specific impairment. All individually significant accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Accounts receivable that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against accounts receivable. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

- *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories, 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. The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets that cannot be tested individually 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"). 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 income. Impairment losses recognized in respect of CGUs reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(j) New Standards and interpretations not yet effective or adopted

i. Effective for annual periods beginning on or after January 1, 2018
   - IFRS 9 Financial Instruments: Recognition and Measurement – modifies IAS 39 eliminating categories and redefines gain and loss re-measurement.
   - IFRS 15 Revenue from Contracts with Customers: The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard contains enhanced disclosures about revenue and provides guidance for transactions that were not previously addressed comprehensively.

ii. Effective for annual periods beginning on or after January 1, 2019
   - IFRS 16 replaces IAS 17 Leases and requires all leases to be reflected in the companies' statement of financial position, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating or finance leases for the lessee treating all leases as finance leases. Short term and low value assets are exempt from these requirements.

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The Company has not yet adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

4. INVENTORIES

The amount of inventory consumed by the Company and recognized as an expense during 2017 was $2,565 (2016 - $1,994).

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Cost or deemed cost						
Balance, Jan 1, 2016	867	48,416	15,239	18,063	1,441	84,026
Additions	88	2,894	837	1,381	4,640	9,840
Transfers	-	-	-	(98)	(3,987)	(4,085)
Balance, Dec 31, 2016	955	51,310	16,076	19,346	2,094	89,781
Additions	-	3,935	1,447	851	5,900	12,133
Transfers/Disposals	-	-	-	-	(6,286)	(6,286)
Balance, Dec 31, 2017	955	55,245	17,523	20,197	1,708	95,628

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Accumulated depreciation						
Balance, Jan 1, 2016	37	4,750	1,518	2,966	-	9,271
Depreciation expense	17	1,783	603	1,021	-	3,424
Disposals	-	-	-	(11)	-	(11)
Balance, Dec 31, 2016	54	6,533	2,121	3,976	-	12,684
Depreciation expense	18	1,860	631	1,076	-	3,585
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2017	72	8,393	2,752	5,052	-	16,269
Net Book Value						
At Dec 31, 2016	901	44,777	13,955	15,370	2,094	77,097
At Dec 31, 2017	883	46,852	14,771	15,145	1,708	79,359

(in thousands of dollars)

6. REGULATORY ASSETS AND LIABILITIES

The Company has recorded the following regulatory assets and liabilities:

	Net retail settlement variance (i) $	Smart meter variance (ii) $	Regulatory items approved for settlement (iii) $	Other (iv) $	Total $
Regulatory Assets					
Balance, Jan 1, 2016	2,979	366	618	249	4,212
Recovery/reversal	(2,979)	(228)	1,357	(14)	(1,864)
Balance, Dec 31, 2016	-	138	1,975	235	2,348
Recovery/reversal	-	(96)	(1,506)	(25)	(1,627)
Balance, Dec 31, 2017	-	42	469	210	721
Remaining recovery/ reversal period (years)		1	1-3	1-3	

	Net retail settlement variance (i) $	Regulatory items approved for settlement (iii) $	Other (iv) $	Total $
Regulatory Liabilities				
Balance, Jan 1, 2016	-	117		117
Recovery/reversal	848	167		1,015
Balance, Dec 31, 2016	848	284		1,132
Recovery/reversal	(805)	(284)	13	(1,076)
Balance, Dec 31, 2017	43	-	13	56
Remaining recovery/ reversal period (years)		1-3	1-3	

(in thousands of dollars)

6. REGULATORY ASSETS AND LIABILITIES, continued

(i) Retail settlement variances represent the difference between the amount paid by the Company to the Independent Electricity System Operator ("IESO") for the cost of energy and the amount billed by the Company to its customers as energy sales, and related carrying costs. These amounts are recorded on the statement of financial position as retail settlement variances until their final disposition is decided by the OEB. The Company recognizes retail settlement variances as a regulatory deferral account debit or credit based on the expectation that these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process, the timing of which has yet to be determined.

(ii) In 2012, the OEB approved disposition of the Smart Meter variance account, excluding the portion related to the meters replaced ("stranded meters"). As prescribed by the regulator, the smart meter disposition resulted in the transfer of approximately $5,200 to property, plant and equipment and $1,200 in additional amortization expense in 2012. At the end of 2017, the remaining balance in the Smart Meter variance account of $42 (2016 - $138) represents the estimated net recoverable value of stranded meter assets to be recovered in future rates.

(iii) Regulatory items approved for settlement consists of various deferred amounts in connection with accounting policy changes, global adjustment dispositions, and other amounts approved by the OEB. Costs incurred with respect to these various activities are included in rate recoveries effective until 2017.

(iv) Included in other is the lost revenue adjustment ("LRAM") variance account with a balance of $76 at December 31, 2017 (2016 - $75). The LRAM variance account is a retrospective adjustment designed to recover revenues lost from distributor supported CDM activities in a prior year. The Company expects future collection of these amounts through the rate setting and approval process, the timing of which has yet to be determined.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017 $	2016 $
Accounts payable – energy purchases	5,294	6,779
Trade payables and accrued liabilities	3,595	4,776
Commodity taxes payable	108	434
Debt retirement charge payable	7	7
	9,004	11,996

(in thousands of dollars)

8. CUSTOMER DEPOSITS

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2.0%.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred contributions.

	2017 $	2016 $
Electrical distribution customer deposits	2,362	2,059
Electrical retailer deposits	57	57
Construction deposits	157	160
	2,576	2,276
Less: Current portion included in above	(844)	(791)
	1,732	1,485

9. DEFERRED CONTRIBUTIONS

The continuity of deferred customer contributions in aid of construction of PP&E is as follows:

	2017 $	2016 $
Balance, beginning of year	15,640	14,230
Add : Customer contributions during the year	1,745	1,838
	17,385	16,068
Less: Amount recognized as other revenue	(470)	(428)
Balance, end of year	16,915	15,640

(in thousands of dollars)

10. EMPLOYEE FUTURE LIABILITIES

(a) Employee Future Liabilities

Employee future liabilities are comprised of vested sick leave and accrued benefit liabilities related to the Company's post-employment medical and life insurance plan. Amounts accrued in these financial statements are summarized as follows:

	2017 $	2016 $
Vested sick leave liabilities	349	336
Accrued employee benefit liabilities	716	630
Employee future liabilities	1,065	966

(b) Post Employment Medical and Life Insurance Plan

Under the plan, the Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. The present value of the employee benefit liabilities are determined by an independent external actuary and they are fully reflected as an obligation in these financial statements. Actuarial gains and losses arising from these plans are recognized in other comprehensive income during the period in which they occur.

The accrued employee benefit liabilities are based on an actuarial valuation as at December 31, 2017. A reconciliation of the obligation for these liabilities is as follows:

	2017 $	2016 $
Accrued employee benefit liabilities, beginning of year	630	44
Current service cost	36	35
Settlement loss on employee transfer	-	536
Interest expense	25	21
Benefits paid	(29)	(6)
Net actuarial Loss	54	-
Accrued employee benefit liabilities, end of year	716	630

(in thousands of dollars)

10. EMPLOYEE FUTURE LIABILITIES, continued

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are:

	2017 %	2016 %
Discount rate	3.50	4.00
Rate of compensation increase	2.50	2.50
Medical benefits costs escalation	6.20	6.31
Dental benefits cost escalation	4.50	4.60

The Company recognizes all actuarial gains and losses arising from these plans in other comprehensive income during the period in which they occur and all expenses related to defined benefit plans in income from operations. The actuarial gains and losses are not reclassified to income from operations in subsequent periods. The plan is not funded and accordingly there are no plan assets.

(c) Sensitivity Analysis

The approximate effects on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the discount rate assumption was increased or decreased by 1%, or the health care trend rate assumption was increased or decreased by 1% and all other assumptions were held constant, are as follows:

	Period Benefit Cost	Defined Benefit Obligation
1% increase in discount rate	(4)	(102)
1% decrease in discount rate	5	131
1% increase in health care trend rate	8	68
1% decrease in health care trend rate	(7)	(59)

11. LONG-TERM DEBT

(a) A summary of outstanding long-term debt is provided in the table below:

	Note	Maturity	Rate %	2017 $	2016 $
Toronto Dominion Bank operating loan	i)	2018	(i)	10,500	10,500
Toronto Dominion Bank term loan	ii)	2023	4.25	19,735	20,152
Toronto Dominion Bank term loan	iii)	2018	4.55	3,187	3,638
Toronto Dominion Bank term loan	iv)	2019	5.36	5,661	6,310
				39,083	40,600
Less: Current portion of debt				(4,306)	(1,517)
				34,777	39,083

(in thousands of dollars)

11. LONG-TERM DEBT, continued

i. At December 31, 2017 PDI, had drawn $10,500 on its $16,000 multi draw variable rate committed loan facility with Toronto-Dominion Bank ("TD") (2016 - $10,500). This loan, along with term loans ii through iv below, is secured by a general security agreement covering the assets of PDI. The floating rate is based on Prime less 0.25% or Banker's Acceptance + 0.80%.

ii. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due August 21, 2023 with a balloon payment of $17,120 due upon maturity. PDI makes monthly blended payments of principal and interest of $105. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 4.25% for this liability.

iii. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due December 24, 2018 with a balloon payment of $2,765 due upon maturity. PDI makes monthly blended payments of principal and interest of $51. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 4.55% for this liability.

iv. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due December 22, 2019 with a balloon payment of $4,315 due upon maturity. PDI makes monthly blended payments of principal and interest of $81. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 5.36% for this liability.

(b) Financial Ratios

The bank agreements require the Company to maintain certain financial ratios which must be met on a quarterly or annual basis. Through the 12 month period ended December 31, 2017 the Company was in compliance with the financial ratio requirements.

(c) Letters of Credit

The Company has posted $7,064 (2016 - $7,064) in stand-by letters of credit with the Independent Electricity System Operator, as required by regulation.

(d) The aggregate amount of principal payments required is as follows:

	$
2018	4,306
2019	15,927
2020	472
2021	493
2022	514
Thereafter	17,371
	39,083

(in thousands of dollars)

12. DUE TO RELATED PARTIES

	2017 $	2016 $
Demand loan from the City of Peterborough Holdings Inc., bearing interest at 4%	1,510	1,510

The demand loan is without specified maturity dates or repayment terms, and is secured by a general security agreement in favour of the City of Peterborough Holdings Inc. The security has been subordinated to the security for the Company's long-term debt (note 11).

The Shareholder has confirmed that it will not require repayment in fiscal 2018.

Included in interest expense is interest on the demand loans for the year ended December 31, 2017 in the amount of $60 (2016 - $60).

13. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued

	2017 $	2016 $
1,000 common shares	21,658	21,658

14. INCOME TAXES

a. Reconciliation of effective tax rate

The provision for income taxes recorded in the financial statements differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%). The reconciliation between the statutory and effective tax rates is as follows:

	2017 $	2016 $
Income for the year before income taxes	1,739	2,118
Anticipated income tax expense	461	561
Impact of tax deferrals	-	(11)
Impact of tax rate changes, and other	15	(43)
Income tax expense	476	507

(in thousands of dollars)

14. INCOME TAXES, continued

b. Deferred tax assets

The effects of the temporary differences that give rise to the deferred income tax assets are as follows:

	2017 $	2016 $
Tax basis of equipment in excess of carrying amount	935	1,202
Employee future benefits/Vested Sick Leave	282	256
Derivative financial instruments	328	665
	1,545	2,123

15. OTHER REVENUE

Other revenue is comprised of:

	2017 $	2016 $
Retail and specific service charges	613	844
Change of occupancy charges	163	177
Building and pole rentals	261	208
Recognition of deferred contributions	470	428
Miscellaneous	67	114
	1,574	1,771

16. OPERATING AND ADMINISTRATION EXPENSES

Operating and administration expenses are comprised of:

	2017 $	2016 $
Wages and benefits	2,593	2,340
Materials, equipment and other operating expenses	1,107	1,090
Administration and facilities	5,314	5,243
	9,014	8,673

(in thousands of dollars)

17. NET FINANCE COSTS

	2017 $	2016 $
Interest income on bank balances and accounts receivable	76	47
Interest income on regulatory assets	19	31
Finance income	95	78
Interest expense on bank debt	1,621	1,636
Interest expense on shareholder debt	60	60
Finance charges	1,681	1,696
Net finance charges recognized in earnings	1,586	1,618

18. NET CHANGE IN NON-CASH WORKING CAPITAL

	2017 $	2016 $
Accounts receivable	3,171	(1,125)
Unbilled revenue	1,835	(376)
Inventories	21	(34)
Prepaid expenses	(112)	(16)
Accounts payable and accrued liabilities	(2,994)	1,473
	1,921	(78)

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The Company's accumulated other comprehensive loss is comprised of the following:

	2017 $	2016 $
Actuarial loss on accrued employee benefit liabilities, net of tax	(40)	-
Change in fair value of derivative instruments, net of tax	(901)	(1,835)
	(941)	(1,835)

(in thousands of dollars)

20. RELATED PARTY TRANSACTIONS

The Company provides electricity and services to the shareholder of its parent, the City of Peterborough and to affiliate companies. Electrical energy is sold to these parties at the same prices and terms as other electricity customers.

The Company is also engaged in transactions in the normal course of operations with affiliated companies and the Peterborough Utilities Commission. The parties are related by virtue of common control.

Details of related party transactions are as follows:

	2017 $	2016 $
Revenue		
Rental revenue	15	14
Expenses		
Professional services	3,501	3,310
Operating costs	759	625
Building rent	504	525
Loss on settlement of employee future benefits	-	536
	4,764	4,996
Other – Capital expenditures	285	311

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director. Compensation applicable to management and directors directly or indirectly through allocations from affiliated companies during the year amounted to approximately $528 (2016 - $508).

(in thousands of dollars)

21. CAPITAL DISCLOSURES

The Company's primary objective when managing capital is to address the expectations as outlined in the Unanimous Shareholder Declaration between the Company's parent company, the City of Peterborough Holdings Inc., and its shareholder, the Corporation of the City of Peterborough. The expectation is that the Company will maintain a prudent financial and capitalization structure consistent with industry norms and on the basis that it is intended to be a self-financed entity.

The industry norm for capital structure, as supported by the Ontario Energy Board as regulator, suggests that companies operating in the distribution industry would have capital comprised of 60% debt and 40% equity. The Company is targeting to attain that structure, to the extent possible, in future years. The Company's current capital structure is defined as follows:

	2017 $	2016 $
Long-term debt	39,083	40,600
Due to related parties	1,510	1,510
	40,593	42,110

	2017 $	2016 $
Share capital	21,658	21,658
Accumulated other comprehensive income	(941)	(1,835)
Retained earnings	10,946	10,483
	31,663	30,306

Changes to the Company's capital structure are constrained by an existing lending agreement provision that limits the amount of dividend distributions and the repayment of related party debt subject to certain cash flow tests. Additionally the agreements provide for a restriction on the incurrence of new debt or the posting of security without prior lender consent. The Company has complied with these requirements during the year.

(in thousands of dollars)

22. FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, unbilled revenue on customer accounts, accounts payable and accrued liabilities and customer deposits approximate their carry amounts due to their short-term maturities.

Financial instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- 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 the liabilities that are not based on observable market data (unobservable inputs)

The Company's fair value hierarchy is classified as Level 2 for bank debt and derivative financial instruments. The classification has been calculated using the discounted cash flow model based on the contractual terms of the instrument discounted using an appropriate market rate of interest. The carrying and fair values of these financial instruments are as follows:

	2017 Carrying value $	2017 Fair value $	2016 Carrying value $	2016 Fair value $
Due to related parties	1,510	1,510	1,510	1,510
Bank debt	39,083	40,321	40,600	43,109
	40,593	41,831	42,110	44,619

The company has entered into interest rate swap agreements for its bank debt. These swaps qualify as hedges, and as a result the unrealized loss on the debt is included in other comprehensive income for the period incurred. As of December 31, 2017, the Company has an unrealized loss on its derivative financial instruments of $1,238 (December 31, 2016 - $2,509).

(in thousands of dollars)

23. FINANCIAL RISK MANAGEMENT

In the course of its business the Company may be exposed to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. An assessment of these risks as they apply to the Company is provided below:

(a) Credit risk

By regulation, in addition to the distribution service charges that the Company earns, the customers' electricity bills include, transmission charges, non competitive energy charges, debt retirement and electricity commodity charges. The Company acts as an agent for billing and collecting these charges on behalf of other market participants and under regulation the Company bears the risk of non-collection of these amounts.

To mitigate credit risk the Company is permitted to request certain customers to provide deposits for a prescribed period (note 8). Furthermore, relief from substantial or catastrophic collection loss relief may be afforded by applying for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. The allowance for collection of doubtful accounts included in accounts receivable is in the amount of $427 (2016 - $470).

Pursuant to their respective terms, accounts receivable are aged as follows at December 31:

	2017		2016	
	$	%	$	%
Less than 30 days	4,320	86	7,297	88
30-60 days	253	5	370	5
61-90 days	67	1	82	1
Greater than 91 days	393	8	498	6
Total outstanding	5,033	100	8,247	100
Less: allowance for doubtful accounts	(427)	(8)	(470)	(6)
	4,606	92	7,777	94

(b) Interest rate risk

As described in note 11 to the financial statements, the Company has entered into interest rate swap arrangements which are being used to manage the impact of fluctuating interest rates on the majority of its existing bank debt. The swaps require the periodic exchange of interest payments without the exchange of the notional principal amount on which the payments are based. The swap instruments are recognized on the statement of financial position as a derivative financial instrument.

(in thousands of dollars)

23. FINANCIAL RISK MANAGEMENT, continued

(c) Foreign currency risk

The Company conducts the majority of its business without significant exposure to foreign currency.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

2017		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 years $	Total $
Long-term debt	39,083	5,558	16,970	3,793	17,857	44,178
Loans from related parties	1,510	1,510	-	-	-	1,510
Accounts payable and accruals	9,003	9,003	-	-	-	9,003
	49,596	16,071	16,970	3,793	17,857	54,691

2016		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 Years $	Total $
Long-term debt	40,600	2,844	16,058	8,999	19,121	47,022
Loans from related parties	1,510	1,510	-	-	-	1,510
Accounts payable and accruals	11,996	11,996	-	-	-	11,996
	54,106	16,350	16,058	8,999	19,121	60,528

At the present time the liquidity risk of the Company is low as it has unutilized existing debt capacity, additional room within its capital structure to attain additional financing as required, and sufficient cash flow to address existing debt obligations.

24. CONTINGENCIES

a) The Company participates with other municipal utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electric Association Reciprocal Insurance Exchange. Under this agreement, the Company is contingently liable for additional assessments to the extent that premiums collected are not sufficient to cover actual loses, claims and costs experienced.

(b) The Company assets are pledged as security and the Company has provided a guarantee to its shareholder, the Corporation of the City of Peterborough in support of debts owning to the shareholder by the company and its affiliates.

25. SUBSEQUENT EVENTS

On March 9, 2018, Hydro One Limited announced that it had ceased negotiations on the proposed acquisition of assets of the Company, under the terms described in note 1.

FINANCIAL STATEMENTS OF

PETERBOROUGH DISTRIBUTION INC.

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Peterborough Distribution Inc.

We have audited the accompanying financial statements of Peterborough Distribution Inc., which comprise the statement of financial position as at December 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the auditor's 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, the auditors consider internal controls relevant to the company'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 company's internal controls. 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 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 Peterborough Distribution Inc. as at December 31, 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 of the financial statements which describes the expected sale of substantially all of the assets and liabilities of Peterborough Distribution Inc.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 5, 2017

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2016
($s in thousands)

	2016 $	2015 $
ASSETS		
Current assets		
Cash	5,335	2,167
Accounts receivable	7,777	6,652
Unbilled revenue on customer accounts	11,106	10,730
Inventories (note 4)	1,159	1,125
Prepaid expenses	99	83
	25,476	20,757
Other assets		
Property, plant and equipment (note 5)	77,097	74,755
Deferred tax assets (note 14)	2,123	2,329
	79,220	77,084
Regulatory assets (note 6)	2,348	4,212
	107,044	102,053

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2016
($s in thousands)

	2016 $	2015 $
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	11,996	10,523
Income taxes payable	109	77
Customer deposits refundable within one year (note 8)	791	1,080
Current portion of long-term debt (note 11)	1,517	1,446
	14,413	13,126
Long-term liabilities		
Customer deposits (note 8)	1,485	1,237
Deferred contributions (note 9)	15,640	14,230
Employee future benefits (note 10)	966	44
Derivative financial instruments	2,509	3,210
Long-term debt (note 11)	39,083	39,099
Due to related parties (note 12)	1,510	1,510
	61,193	59,330
Shareholder's equity		
Share capital (note 13)	21,658	21,658
Accumulated other comprehensive loss (note 19)	(1,835)	(2,350)
Retained earnings	10,483	10,172
	30,306	29,480
Regulatory liabilities (note 6)	1,132	117
	107,044	102,053

Approved on behalf of the Board

_______________ Director _______________ Director

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF INCOME

For the year ended December 31, 2016
($s in thousands)

	2016 $	2015 $
Revenue		
Power recovery	103,565	95,126
Distribution	14,598	14,154
Other (note 15)	1,771	2,039
	119,934	111,319
Expenses		
Purchased power	100,686	94,151
Operations and administration (note 16)	8,673	8,407
Amortization (note 5)	3,424	3,257
	112,783	105,815
Income before the undernoted items and income taxes	7,151	5,504
Other expense (income)		
Net finance costs (note 17)	1,618	1,636
Loss on settlement of employee future benefits (note 10)	536	-
Income before income taxes and regulatory items	4,997	3,868
Net movement on regulatory deferral accounts	(2,879)	(975)
Income before income taxes	2,118	2,893
Provision for income taxes (note 14)		
Current	487	492
Deferred	20	303
	507	795
Net income for the year	1,611	2,098

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016
($s in thousands)

	2016 $	2015 $
Net income for the year	1,611	2,098
Other comprehensive income		
Items that will be reclassified subsequently to net income		
Change in fair value of derivative instruments	701	(676)
Related deferred tax	(186)	179
Other comprehensive income (loss) for the year	515	(497)
Total comprehensive income for the year	2,126	1,601

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016
($s in thousands)

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at January 1, 2015	21,658	9,274	(1,853)	29,079
Net income for the year	-	2,098	-	2,098
Change in fair value of hedging instruments, net of tax	-	-	(497)	(497)
Dividends paid	-	(1,200)	-	(1,200)
Balance at December 31, 2015	21,658	10,172	(2,350)	29,480
Balance at January 1, 2016	21,658	10,172	(2,350)	29,480
Net income for the year	-	1,611	-	1,611
Change in fair value of hedging instruments, net of tax	-	-	515	515
Dividends paid	-	(1,300)	-	(1,300)
Balance at December 31, 2016	21,658	10,483	(1,835)	30,306

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CASH FLOWS

For the year ended December 31, 2016
($s in thousands)

	2016 $	2015 $
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net income for the year	1,611	2,098
Charges to operations not requiring a current cash payment -		
Amortization	3,424	3,257
Increase (decrease) in employee future liabilities	922	(54)
Net finance costs	1,618	1,636
Recognition of contributed capital	(428)	(382)
Current income tax	487	492
Deferred income tax	20	303
	7,654	7,350
Change in non-cash working capital items (note 18)	(78)	(3,602)
Interest received	106	144
Taxes recovered	(454)	(180)
Receipt of deferred contributions	1,838	2,203
Increase/(decrease) in customer deposits	(41)	294
	9,025	6,209
Investing activities		
Purchase of property, plant and equipment	(5,766)	(7,704)
Decrease in regulatory assets and liabilities	2,879	975
	(2,887)	(6,729)
Financing activities		
Proceeds from long-term debt	1,500	3,000
Advances from related party	-	10
Repayment of long-term debt	(1,445)	(1,378)
Interest paid	(1,725)	(1,780)
Dividends paid	(1,300)	(1,200)
	(2,970)	(1,348)
Net increase (decrease) in cash	3,168	(1,868)
Cash - beginning of year	2,167	4,035
Cash - end of year	5,335	2,167

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND DISCONTINUED OPERATIONS

Peterborough Distribution Inc. (the "Company") is an electricity distribution company, wholly owned by the City of Peterborough Holdings Inc. which, in turn, is wholly owned by the Corporation of the City of Peterborough. The Company is incorporated and domiciled in Canada with its head and registered office located at 1867 Ashburnham Drive, Peterborough, ON K9J 6Z5. The Company's distribution rates and conditions for providing services are regulated by the Ontario Energy Board (the "OEB").

On December 15, 2016, the City of Peterborough provided the requisite authorizations to dispose of substantially all of the assets and liabilities, excluding long-term debt and certain lands, of the Company, for sale proceeds of $105 million, and authorized the completion of all necessary legal documentation to effect the disposition in accordance with certain transaction terms. While it is highly expected that the purchase commitment will be finalized in fiscal 2017, the completion of the transaction is subject to regulatory approval by the Ontario Energy Board (OEB), the timing of which is uncertain at this time. Regulatory approval by the OEB may extend final transaction completion beyond the fiscal 2017 year. It is expected that the transaction will be fully completed in the next fifteen months.

Upon transaction completion, the Company's business operations as a distribution company will cease, all Company long term debt will be retired and the Company will continue to hold lands in the approximate amount of $50.

These financial statements continue to be prepared using generally accepted accounting principles that are applicable to a going concern. As the sale proceeds of $105 million are in excess of the carrying value of the Company assets and liabilities that will be conveyed in the transaction, the basis of measurement continues to be primarily historical cost, as more fully described in the notes to these financial statements. No adjustments have been made to the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, to reflect the impact of the transaction.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were authorized for issue by the Board of Directors on March 30, 2017.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

(c) Presentation currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand, except when otherwise noted.

2. BASIS OF PREPARATION, continued

(d) Use of significant estimates and judgments

The preparation of the 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgments and estimates made by the Company are outlined below:

(i) Significant Accounting Judgments

- Property, plant and equipment

  The company makes judgments to assess the nature of the costs to be capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depreciation methods and useful lives are appropriate; and distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed.

(ii) Significant Estimates and Assumptions

- Useful lives of Property Plant and Equipment

  Depreciation is based on estimates of the useful lives of each significant component of property plant and equipment. Estimated useful lives are determined based on current facts and past experience, and takes into consideration the anticipated physical life of the asset, technological obsolescence, regulations and independent studies conducted by an independent consulting firm.

- Unbilled revenue

  The measurement of unbilled revenue for electric distribution customers is based on an estimate of the amount of electricity delivered to customers between the date of the last bill and the end of the year.

- Measurement of fair value of financial instruments

  As described in Note 22, the Company uses the discounted cash flow model to estimate the fair value of financial instruments for disclosure purposes.

- Measurement of employee future liabilities

  Employee future liabilities are based on certain assumptions arising from an actuarial report performed on behalf of the Company. These assumptions are detailed in note 10.

2. BASIS OF PREPARATION, continued

(e) Accounting for Electricity Regulation

The Company is regulated by the OEB and accounts for the impact of rate regulation by the OEB as follows:

(i) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset, or creation of a liability, and culminating in an adjustment to Company distribution rates, such occurrences are immediately reflected in the Company's accounts.

(ii) Regulatory Accounting Practice

In the absence of a regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities.

Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of the decision and such adjustments are reflected in net income for the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

(a) Revenue Recognition

a. Electricity Distribution

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax.

b. Deferred Contributions

Certain items of property, plant and equipment are acquired or constructed with financial assistance in the form of contributions from developers ("deferred contributions"). Such contributions, whether in cash or in-kind, are recognized as deferred contributions and amortized into net income over the life of the related assets. Deferred contributions in-kind are valued at their fair value at the date of their contribution.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

c. Conservation and Demand Management ("CDM")

Performance incentive payments under CDM programs are recognized by the Company when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

d. Other

Other revenues are recognized when the services are rendered.

(b) Financial Instruments

- Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the settlement date of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets which it has classified as follows:

• Cash	Loans and receivables
• Accounts receivable	Loans and receivables
• Unbilled revenue	Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

- Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the settlement date of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The Company has the following non-derivative financial liabilities which it has classified as follows:

• Accounts payable and accrued liabilities	Other financial liabilities
• Customer deposits	Other financial liabilities
• Due to related parties	Other financial liabilities
• Long-term debt	Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

- Derivative financial instruments and hedge accounting

Derivative financial instruments in the form of interest rate swap contracts are used to manage exposure to fluctuations in interest rates on the Company's long-term debt. The contracts are designated as hedges, and therefore any gain or loss, net of tax, is included in other comprehensive income.

(c) Cash

Cash consists of balances with financial institutions.

(d) Inventories

Inventory consists of distribution system maintenance and construction materials and is valued at the lower of moving average cost and replacement cost. Major spare parts and stand-by equipment are recorded in property, plant and equipment.

(e) Property, plant and equipment

- *Recognition and measurement*

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation, and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset.

In circumstances where parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

Major spare parts and standby equipment are recognized as items of PP&E.

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The cost and related accumulated depreciation for identifiable PP&E, such as substations, remain in the accounts until the assets are retired or disposed of at which time any gain or loss is reflected in operations. PP&E which are recorded on a group basis, such as meters, are removed from the accounts only at the end of their estimated service lives.

- *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

- *Depreciation*

Depreciation of PP&E is recognized on a straight-line basis designed to amortize the assets over their estimated useful lives as follows:

Buildings	35 – 50 years
Substations	20 – 45 years
Distribution lines	30 – 60 years
Transformers	35 – 60 years
Meters	15 – 25 years
Other	4 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Work in process assets are not depreciated until the project is complete and ready for use.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of the item.

(f) Deferred contributions

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred contributions.

Deferred contributions represent the Company's obligation to continue to provide customers access to the supply of electricity and is amortized to income over the economic useful life of the contributed asset.

(g) Employee benefits

i. O.M.E.R.S.

The Company participates in an industry-wide multi-employer post-employment defined benefit pension plan, the Ontario Municipal Employees Retirement Systems (O.M.E.R.S). Both participating employers and employees are required to make plan contributions based on the employees' contributory earnings. The Company recognizes its employee benefit expense related to this plan as the contributions are made.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Vested sick leave benefits

After five years of service with the Company or a related company upon retirement or termination, the Company has agreed to pay at the employee's then current pay rate; the lesser of one-half of the employee's accumulated sick leave benefits or 130 days. For those employees who commenced employment on or after April 1, 1982, the amount will not exceed 130 days or the number of years of service prior to April 1, 2007, times six days.

For financial statement purposes the liability is valued at the total of each employee's current vested sick leave hours at current pay rates in accordance with the above formula.

iii. Employee benefits plans

The Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. These defined benefit plans are not funded. Accordingly, there are no plan assets.

The Company's net obligation in respect of these is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from these plans in other comprehensive income during the period in which they occur and all expenses related to defined benefit plans in profit or loss. The actuarial gains and losses are not reclassified to net income in subsequent periods.

iv. Short-term employee benefits

Short-term employee benefit obligations, including accumulating vested sick leave and vacation, are measured on an undiscounted basis using management's best estimates and are expensed as the related service is provided.

(h) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on the disposal of financial assets. Interest income is recognized as it accrues in income, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in comprehensive income using the effective interest method.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other finance charges that the Company incurs in borrowing funds.

(i) Corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes ("PIL's") to Ontario Electricity Financial Corporation ("OEFC"). The payments in lieu of taxes are calculated on a basis as if the Company was a taxable company under the Income Tax Act (Canada).

Corporate income taxes are calculated using the deferred income tax liability and asset method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset and its carrying amount on the statement of financial position are used to calculate deferred tax liabilities or assets. Deferred tax liabilities or assets are measured using tax rates anticipated to apply in the periods that the temporary differences are expected to be realized or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the year in which the change occurs.

(j) Impairment

- *Financial assets (including receivables)*

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the

3. SIGNIFICANT ACCOUNTING POLICIES, continued

amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

- *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories, 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. The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets that cannot be tested individually 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"). 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 income. Impairment losses recognized in respect of CGUs reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(k) New Standards and interpretations not yet effective or adopted

i. Effective for annual periods beginning on or after January 1, 2017
   - IAS 7 Statement of Cash Flows – Amendments will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

ii. Effective for annual periods beginning on or after January 1, 2018
   - IFRS 9 Financial Instruments: Recognition and Measurement (new) – modifies IAS 39 eliminating categories and redefines gain and loss re-measurement.
   - IFRS 15 Revenue from Contracts with Customers: The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard contains enhanced disclosures about revenue and provides guidance for transactions that were not previously addressed comprehensively.

iii. Effective for annual periods beginning on or after January 1, 2019
   a. IFRS 16 replaces IAS 17 Leases and brings leases onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating or finance leases for the lessee treating all leases as finance leases. Short term and low value assets are exempt from these requirements.

The Company is currently assessing the impact that the standard will have on the statements.

(in thousands of dollars)

4. INVENTORIES

The amount of inventory consumed by the Company and recognized as an expense during 2016 was $1,994 (2015 - $1,409).

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Cost or deemed cost						
Balance, Jan 1, 2015	703	41,735	13,960	16,977	2,947	76,322
Additions	164	6,681	1,279	1,086	6,642	15,852
Transfers	-	-	-	-	(8,148)	(8,148)
Balance, Dec 31, 2015	867	48,416	15,239	18,063	1,441	84,026
Additions	88	2,894	837	1,381	4,640	9,840
Transfers/Disposals	-	-	-	(98)	(3,987)	(4,085)
Balance, Dec 31, 2016	955	51,310	16,076	19,346	2,094	89,781

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Accumulated depreciation						
Balance, Jan 1, 2015	22	3,075	939	1,978	-	6,014
Depreciation expense	15	1,675	579	988	-	3,257
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2015	37	4,750	1,518	2,966	-	9,271
Depreciation expense	17	1,783	603	1,021	-	3,424
Disposals	-	-	-	(11)	-	(11)
Balance, Dec 31, 2016	54	6,533	2,121	3,976	-	12,684
Net Book Value						
At Dec 31, 2015	830	43,666	13,721	15,097	1,441	74,755
At Dec 31, 2016	901	44,777	13,955	15,370	2,094	77,097

(in thousands of dollars)

6. REGULATORY ASSETS AND LIABILITIES

The Company has recorded the following regulatory assets and liabilities:

	Net retail settlement variance (i) $	Smart meter variance (ii) $	Regulatory items approved for settlement (iii) $	Other (iv) $	Total $
Regulatory Assets					
Balance, Jan 1, 2015	4,412	732	-	244	5,388
Recovery/reversal	(1,433)	(366)	618	5	(1,176)
Balance, Dec 31, 2015	2,979	366	618	249	4,212
Recovery/reversal	(2,979)	(228)	1,357	(14)	(1,864)
Balance, Dec 31, 2016	-	138	1,975	235	2,348
Remaining recovery/ reversal period (years)		1	1-3	1-3	

	Net retail settlement variance (i) $	Regulatory items approved for settlement (iii) $	Total $
Regulatory Liabilities			
Balance, Jan 1, 2015	-	117	117
Recovery/reversal	-	-	-
Balance, Dec 31, 2015	-	117	117
Recovery/reversal	848	167	1,015
Balance, Dec 31, 2016	848	284	1,132
Remaining recovery/ reversal period (years)		1-3	

(in thousands of dollars)

6. REGULATORY ASSETS AND LIABILITIES, continued

(i) Retail settlement variances represent the difference between the amount paid by the Company to the Independent Electricity System Operator ("IESO") for the cost of energy and the amount billed by the Company to its customers as energy sales, and related carrying costs. These amounts are recorded on the statement of financial position as retail settlement variances until their final disposition is decided by the OEB. The Company recognizes retail settlement variances as a regulatory deferral account debit or credit based on the expectation that these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process, the timing of which has yet to be determined.

(ii) In 2012, the OEB approved disposition of the Smart Meter variance account, excluding the portion related to the meters replaced ("stranded meters"). As prescribed by the regulator, the smart meter disposition resulted in the transfer of approximately $5,200 to property, plant and equipment and $1,200 in additional amortization expense in 2012. At the end of 2016, the remaining balance in the Smart Meter variance account of $138 (2015 - $366) represents the estimated net recoverable value of stranded meter assets to be recovered in future rates.

(iii) Regulatory items approved for settlement consists of various deferred amounts in connection with accounting policy changes, global adjustment dispositions, and other amounts approved by the OEB. Costs incurred with respect to these various activities are included in rate recoveries effective until 2017.

(iv) Included in Other is the lost revenue adjustment ("LRAM") variance account with a balance of $75 at December 31, 2016 (2015 - $74). The LRAM variance account is a retrospective adjustment designed to recover revenues lost from distributor supported CDM activities in a prior year. The Company expects future collection of these amounts through the rate setting and approval process, the timing of which has yet to be determined.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 $	2015 $
Accounts payable – energy purchases	6,779	6,523
Trade payables and accrued liabilities	4,776	3,268
Commodity taxes payable	434	240
Holdbacks	-	85
Debt retirement charge payable	7	407
	11,996	10,523

(in thousands of dollars)

8. CUSTOMER DEPOSITS

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2.0%.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred contributions.

	2016 $	2015 $
Electrical distribution customer deposits	2,059	2,040
Electrical retailer deposits	57	61
Construction deposits	160	216
	2,276	2,317
Less: Current portion included in above	(791)	(1,080)
	1,485	1,237

9. DEFERRED CONTRIBUTIONS

The continuity of deferred customer contributions in aid of construction of PP&E is as follows:

	2016 $	2015 $
Balance, beginning of year	14,230	12,409
Add : Customer contributions during the year	1,838	2,203
	16,068	14,612
Less: Amount recognized as other revenue	(428)	(382)
Balance, end of year	15,640	14,230

(in thousands of dollars)

10. EMPLOYEE FUTURE LIABILITIES

(a) Employee Future Liabilities

Employee future liabilities are comprised of vested sick leave and accrued benefit liabilities related to the Company's post-employment medical and life insurance plan. Amounts accrued in these financial statements are summarized as follows:

	2016 $	2015 $
Vested sick leave liability	336	-
Accrued employee benefit liability	630	44
Employee future liabilities	966	44

In February 2016 thirty-four employees who principally perform electrical distribution services for the Company, were transferred to the Company from Peterborough Utilities Services Inc., an affiliated company. With the transfer, vested sick leave liability of $336 and employee future benefit liabilities $536, related to these employees were assumed by the Company.

(b) Post Employment Medical and Life Insurance Plan

Under the plan, the Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. The present value of the employee benefit liability is actuarially determined and fully reflected as an obligation. Actuarial gains and losses arising from these plans are recognized in other comprehensive income during the period in which they occur. The accrued employee benefit liability is based on an actuarial valuation as at December 31, 2016.

	2016 $	2015 $
Accrued employee benefit liability, beginning of year	44	43
Current service cost	35	-
Settlement loss on employee transfer	536	-
Interest expense	21	1
Benefits paid	(6)	-
Accrued employee benefit liability, end of year	630	44

(in thousands of dollars)

10. EMPLOYEE FUTURE LIABILITIES, continued

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	2016 %	2015 %
Discount rate	4.00	4.00
Rate of compensation increase	2.50	2.50
Medical benefits costs escalation	6.31	6.66
Dental benefits cost escalation	4.60	4.60

The Company recognizes all actuarial gains and losses arising from these plans in other comprehensive income during the period in which they occur and all expenses related to defined benefit plans in income from operations. The actuarial gains and losses are not reclassified to income from operations in subsequent periods. The plan is not funded and accordingly there are no plan assets.

(c) Sensitivity Analysis

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the discount rate assumption was increased or decreased by 0.5%, or the health care trend rate assumption was increased or decreased by 1% and all other assumptions were held constant, is as follows:

	Period Benefit Cost	Defined Benefit Obligation
0.5% increase in discount rate	(2)	(7)
0.5% decrease in discount rate	2	8
1% increase in health care trend rate	9	11
1% decrease in health care trend rate	(8)	(9)

11. LONG-TERM DEBT

(a) A summary of outstanding long-term debt is provided in the table below:

	Note	Maturity	Rate %	2016 $	2015 $
Toronto Dominion Bank operating loan	i)	2018	2.45	10,500	9,000
Toronto Dominion Bank term loan	ii)	2023	4.25	20,152	20,550
Toronto Dominion Bank term loan	iii)	2018	4.55	3,638	4,070
Toronto Dominion Bank term loan	iv)	2019	5.36	6,310	6,925
				40,600	40,545
Less: Current portion of debt				(1,517)	(1,446)
				39,083	39,099

(in thousands of dollars)

11. LONG-TERM DEBT, continued

i. At December 31, 2016 PDI, had drawn $10,500 on its $16,000 multi draw variable rate committed loan facility with Toronto-Dominion Bank (“TD”) (2015 - $9,000). This loan, along with term loans ii through iv below, is secured by a general security agreement covering the assets of PDI.

ii. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due August 21, 2023 with a balloon payment of $17,120 due upon maturity. PDI makes monthly blended payments of principal and interest of $105. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 4.25% for this liability.

iii. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due December 24, 2018 with a balloon payment of $2,765 due upon maturity. PDI makes monthly blended payments of principal and interest of $51. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 4.55% for this liability.

iv. This loan is a committed reducing term loan payable to TD, originally amortized over 10 years, due December 22, 2019 with a balloon payment of $4,315 due upon maturity. PDI makes monthly blended payments of principal and interest of $81. To reduce exposure to interest rate fluctuations, PDI has entered into a receive-variable/pay-fixed interest rate swap agreement at a rate of 5.36% for this liability.

(b) Financial Ratios

The bank agreements require the Company to maintain certain financial ratios which must be met on a quarterly or annual basis. Through the 12 month period ended December 31, 2016 the Company was in compliance with the financial ratio requirements.

(c) Letters of Credit

The Company has posted $7,064 (2015 - $7,064) in stand-by letters of credit with the Independent Electricity System Operator, as required by regulation.

(d) The aggregate amount of principal payments required is as follows:

	$
2017	1,517
2018	14,805
2019	5,428
2020	472
2021	493
Thereafter	17,885
	40,600

(in thousands of dollars)

12. DUE TO RELATED PARTIES

	2016 $	2015 $
Demand loan from the City of Peterborough Holdings Inc., bearing interest at 4%	1,510	1,510

The demand loan is without specified maturity dates or repayment terms, and is secured by a general security agreement in favour of the City of Peterborough Holdings Inc. The security has been subordinated to the security for the Company's long-term debt (note 11).

The Shareholder has confirmed that it will not require repayment in fiscal 2017.

Included in interest expense is interest on the demand loans for the year ended December 31, 2016 in the amount of $60 (2015 - $60).

13. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued

	2016 $	2015 $
1,000 common shares	21,658	21,658

14. INCOME TAXES

a. Reconciliation of effective tax rate

The provision for income taxes recorded in the financial statements differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 – 26.5%). The reconciliation between the statutory and effective tax rates is as follows:

	2016 $	2015 $
Income for the year before income taxes	2,118	2,893
Anticipated income tax expense	561	767
Impact of tax deferrals	(11)	-
Impact of tax rate changes, and other	(43)	28
Income tax expense	507	795

(in thousands of dollars)

14. INCOME TAXES, continued

b. Deferred tax assets

The effects of the temporary differences that give rise to the deferred income tax assets are as follows:

	2016 $	2015 $
Tax basis of equipment in excess of carrying amount	1,202	1,466
Employee future benefits/Vested Sick Leave	256	12
Derivative financial instruments	665	851
	2,123	2,329

15. OTHER REVENUE

Other revenue is comprised of:

	2016 $	2015 $
Retail and specific service charges	844	806
Change of occupancy charges	177	173
Building and pole rentals	208	236
Recognition of deferred contributions	428	382
Miscellaneous	114	442
	1,771	2,039

16. OPERATING AND ADMINISTRATION EXPENSES

Operating and administration expenses are comprised of:

	2016 $	2015 $
Wages and benefits	2,340	208
Materials, equipment and other operating expenses	1,090	3,233
Administration and facilities	5,243	4,966
	8,673	8,407

(in thousands of dollars)

17. NET FINANCE COSTS

	2016 $	2015 $
Interest income on bank balances and accounts receivable	47	38
Interest income on regulatory assets	31	44
Interest income on related party loans	-	26
Finance income	78	108
Interest expense on bank debt	1,636	1,684
Interest expense on shareholder debt	60	60
Finance charges	1,696	1,744
Net finance charges recognized in earnings	1,618	1,636

18. NET CHANGE IN NON-CASH WORKING CAPITAL

	2016 $	2015 $
Accounts receivable	(1,125)	417
Unbilled revenue	(376)	(1,304)
Inventories	(34)	(137)
Prepaid expenses	(16)	107
Accounts payable and accrued liabilities	1,473	(2,685)
	(78)	(3,602)

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The Company's accumulated other comprehensive loss is comprised of the following:

	2016 $	2015 $
Actuarial loss on accrued employee benefit liabilities, net of tax	-	9
Change in fair value of derivative instruments, net of tax	(1,835)	(2,359)
	(1,835)	(2,350)

(in thousands of dollars)

20. RELATED PARTY TRANSACTIONS

The Company provides electricity and services to the shareholder of its parent, the City of Peterborough and to affiliate companies. Electrical energy is sold to these parties at the same prices and terms as other electricity customers.

The Company is also engaged in transactions in the normal course of operations with affiliated companies and the Peterborough Utilities Commission. The parties are related by virtue of common control.

Details of related party transactions are as follows:

	2016 $	2015 $
Revenue		
Rental revenue	14	15
Expenses		
Professional services	3,310	3,315
Operating costs	625	2,685
Building rent	525	505
Loss on settlement of employee future benefits	536	-
	4,996	6,505
Other – Capital expenditures	311	2,276

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director. Compensation applicable to management and directors directly or indirectly through allocations from affiliated companies during the year amounted to approximately $508 (2015 - $569).

(in thousands of dollars)

21. CAPITAL DISCLOSURES

The Company's primary objective when managing capital is to address the expectations as outlined in the Unanimous Shareholder Declaration between the Company's parent company, the City of Peterborough Holdings Inc., and its shareholder, the Corporation of the City of Peterborough. The expectation is that the Company will maintain a prudent financial and capitalization structure consistent with industry norms and on the basis that it is intended to be a self-financed entity.

The industry norm for capital structure, as supported by the Ontario Energy Board as regulator, suggests that companies operating in the distribution industry would have capital comprised of 60% debt and 40% equity. The Company is targeting to attain that structure, to the extent possible, in future years. The Company's current capital structure is defined as follows:

	2016 $	2015 $
Long-term debt	40,600	40,545
Due to related parties	1,510	1,510
	42,110	42,055

	2016 $	2015 $
Share capital	21,658	21,658
Accumulated other comprehensive income	(1,835)	(2,350)
Retained earnings	10,483	10,172
	30,306	29,480

Changes to the Company's capital structure are constrained by an existing lending agreement provision that limits the amount of dividend distributions and the repayment of related party debt subject to certain cash flow tests. Additionally the agreements provide for a restriction on the incurrence of new debt or the posting of security without prior lender consent. The Company has complied with these requirements during the year.

(in thousands of dollars)

22. FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivables, unbilled revenue on customer accounts, accounts payable and accrued liabilities and customer deposits approximates their carry amounts due to their short-term maturities.

Financial instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- 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 the liabilities that are not based on observable market data (unobservable inputs)

The Company's fair value hierarchy is classified as Level 2 for bank debt and derivative financial instruments. The classification has been calculated using the discounted cash flow model based on the contractual terms of the instrument discounted using an appropriate market rate of interest. The carrying and fair values of these financial instruments are as follows:

	2016 Carrying value $	2016 Fair value $	2015 Carrying value $	2015 Fair value $
Due to related parties	1,510	1,510	1,510	1,510
Bank debt	40,600	43,109	40,545	43,755
	42,110	44,619	42,055	45,265

The company has entered into interest rate swap agreements for its bank debt. These swaps qualify as hedges, and as a result the unrealized loss on the debt is included in other comprehensive income for the period incurred. As of December 31, 2016, the Company has an unrealized loss on its derivative financial instruments of $2,509 (December 31, 2015 - $3,210).

(in thousands of dollars)

23. FINANCIAL RISK MANAGEMENT

In the course of its business the Company may be exposed to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. An assessment of these risks as they apply to the Company is provided below:

(a) Credit risk

By regulation, in addition to the distribution service charges that the Company earns, the customers' electricity bills include, transmission charges, non competitive energy charges, debt retirement and electricity commodity charges. The Company acts as an agent for billing and collecting these charges on behalf of other market participants and under regulation the Company bears the risk of non-collection of these amounts.

To mitigate credit risk the Company is permitted to request certain customers to provide deposits for a prescribed period. Furthermore, relief from substantial or catastrophic collection loss relief may be afforded by applying for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. The allowance for collection of doubtful accounts included in accounts receivable is in the amount of $470 (2015 - $449).

Pursuant to their respective terms, accounts receivable are aged as follows at December 31:

		2016		2015
	$	%	$	%
Less than 30 days	7,297	88	6,143	87
30-60 days	370	5	452	6
61-90 days	82	1	69	1
Greater than 91 days	498	6	437	6
Total outstanding	8,247	100	7,101	100
Less: allowance for doubtful accounts	(470)	(6)	(449)	(6)
	7,777	94	6,652	94

(b) Interest rate risk

As described in note 11 to the financial statements, the Company has entered into interest rate swap arrangements which are being used to manage the impact of fluctuating interest rates on the majority of its existing bank debt. The swaps require the periodic exchange of interest payments without the exchange of the notional principal amount on which the payments are based. The swap instruments are recognized on the statement of financial position as a derivative financial instrument.

(in thousands of dollars)

23. FINANCIAL RISK MANAGEMENT, continued

(c) Foreign currency risk

The Company conducts the majority of its business without significant exposure to foreign currency.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they occur. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

2016		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 years $	Total $
Long-term debt	40,600	2,844	16,058	4,684	19,121	42,707
Loans from related parties	1,510	1,510	-	-	-	1,510
Accounts payable and accruals	11,996	11,996	-	-	-	11,996
	54,106	16,350	16,058	4,684	19,121	56,213

2015		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 Years $	Total $
Long-term debt	40,545	2,844	11,844	8,977	20,386	44,051
Loans from related parties	1,510	1,510	-	-	-	1,510
Accounts payable and accruals	10,523	10,523	-	-	-	10,523
	52,578	14,877	11,844	8,977	20,386	56,084

At the present time the liquidity risk of the Company is low as it has unutilized existing debt capacity, additional room within its capital structure to attain additional financing as required, and sufficient cash flow to address existing debt obligations.

24. CONTINGENCIES

a) The Company participates with other municipal utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electric Association Reciprocal Insurance Exchange. Under this agreement, the Company is contingently liable for additional assessments to the extent that premiums collected are not sufficient to cover actual losses, claims and costs experienced.

(b) The Company assets are pledged as security and the Company has provided a guarantee to its shareholder, the Corporation of the City of Peterborough in support of debts owed to the shareholder by the company and its affiliates.

The Consolidated Financial Statements, Management's Discussion and Analysis (MD&A) and related financial information have been prepared by the management of Hydro One Inc. (Hydro One or the Company). Management is responsible for the integrity, consistency and reliability of all such information presented. The Consolidated Financial Statements have been prepared in accordance with United States Generally Accepted Accounting Principles and applicable securities legislation. The MD&A has been prepared in accordance with National Instrument 51-102.

The preparation of the Consolidated Financial Statements and information in the MD&A involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 2 to the Consolidated Financial Statements. The preparation of the Consolidated Financial Statements and the MD&A includes information regarding the estimated impact of future events and transactions. The MD&A also includes information regarding sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The Consolidated Financial Statements and MD&A have been properly prepared within reasonable limits of materiality and in light of information up to February 12, 2018.

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting as described in the annual MD&A. Management evaluated the effectiveness of the design and operation of internal control over financial reporting based on the framework and criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective at a reasonable level of assurance as of December 31, 2017. As required, the results of that evaluation were reported to the Audit Committee of the Hydro One Board of Directors and the external auditors.

The Consolidated Financial Statements have been audited by KPMG LLP, independent external auditors appointed by the shareholders of the Company. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with United States Generally Accepted Accounting Principles. The Independent Auditors' Report outlines the scope of their examination and their opinion.

The Hydro One Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control over reporting and disclosure. The Audit Committee of Hydro One met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit findings.

On behalf of Hydro One's management:

Mayo Schmidt	Christopher Lopez
President and Chief Executive Officer	Senior Vice President, Finance acting in the capacity of chief financial officer

To the Shareholder of Hydro One Inc.

We have audited the accompanying consolidated financial statements of Hydro One Inc., which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hydro One Inc. as at December 31, 2017 and December 31, 2016, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with United States Generally Accepted Accounting Principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 12, 2018

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016

Year ended December 31 *(millions of Canadian dollars, except per share amounts)*	2017	2016
Revenues		
Distribution (includes $279 related party revenues; 2016 – $160) *(Note 26)*	4,366	4,915
Transmission (includes $1,526 related party revenues; 2016 – $1,556) *(Note 26)*	1,581	1,587
	5,947	6,502
Costs		
Purchased power (includes $1,594 related party costs; 2016 – $2,103) *(Note 26)*	2,875	3,427
Operation, maintenance and administration *(Note 26)*	1,014	1,043
Depreciation and amortization *(Note 5)*	810	769
	4,699	5,239
Income before financing charges and income taxes	**1,248**	**1,263**
Financing charges *(Note 6)*	411	392
Income before income taxes	**837**	**871**
Income taxes *(Note 7)*	120	135
Net income	**717**	**736**
Other comprehensive income	—	—
Comprehensive income	**717**	**736**
Net income attributable to:		
Noncontrolling interest *(Note 25)*	6	6
Common shareholder	711	730
	717	**736**
Comprehensive income attributable to:		
Noncontrolling interest *(Note 25)*	6	6
Common shareholder	711	730
	717	**736**
Earnings per common share *(Note 23)*		
Basic	$4,999	$5,132
Diluted	$4,999	$5,132
Dividends per common share declared *(Note 22)*	$105	$14

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS
At December 31, 2017 and 2016

December 31 *(millions of Canadian dollars)*	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	—	48
Accounts receivable *(Note 8)*	635	833
Due from related parties *(Note 26)*	439	224
Other current assets *(Note 9)*	104	97
	1,178	1,202
Property, plant and equipment *(Note 10)*	19,871	19,068
Other long-term assets:		
Regulatory assets *(Note 12)*	3,049	3,145
Deferred income tax assets *(Note 7)*	954	1,213
Intangible assets *(Note 11)*	369	349
Goodwill *(Note 4)*	325	327
Other assets	5	6
	4,702	5,040
Total assets	**25,751**	**25,310**
Liabilities		
Current liabilities:		
Bank indebtedness	3	—
Short-term notes payable *(Note 15)*	926	469
Long-term debt payable within one year *(Notes 15, 16)*	752	602
Accounts payable and other current liabilities *(Note 13)*	892	933
Due to related parties *(Note 26)*	343	253
	2,916	2,257
Long-term liabilities:		
Long-term debt (includes $541 measured at fair value; 2016 – $548) *(Notes 15, 16)*	9,315	10,078
Regulatory liabilities *(Note 12)*	128	209
Deferred income tax liabilities *(Note 7)*	70	60
Other long-term liabilities *(Note 14)*	2,734	2,765
	12,247	13,112
Total liabilities	**15,163**	**15,369**
Contingencies and Commitments *(Notes 28, 29)*		
Subsequent Events *(Note 31)*		
Preferred shares *(Note 21)*	486	—
Noncontrolling interest subject to redemption *(Note 25)*	22	22
Equity		
Common shares *(Note 21)*	4,856	5,391
Retained earnings	5,183	4,487
Accumulated other comprehensive loss	(9)	(9)
Hydro One shareholder's equity	10,030	9,869
Noncontrolling interest *(Note 25)*	50	50
Total equity	**10,080**	**9,919**
	25,751	**25,310**

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board of Directors:

David Denison
Chair

Philip Orsino
Chair, Audit Committee

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016

Year ended December 31, 2017 *(millions of Canadian dollars)*	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholder's Equity	Non-controlling Interest *(Note 25)*	Total Equity
January 1, 2017	5,391	4,487	(9)	9,869	50	9,919
Net income	—	711	—	711	4	715
Other comprehensive income	—	—	—	—	—	—
Distributions to noncontrolling interest	—	—	—	—	(4)	(4)
Dividends on common shares	—	(15)	—	(15)	—	(15)
Return of stated capital *(Note 21)*	(535)	—	—	(535)	—	(535)
December 31, 2017	**4,856**	**5,183**	**(9)**	**10,030**	**50**	**10,080**

Year ended December 31, 2016 *(millions of Canadian dollars)*	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholder's Equity	Non-controlling Interest *(Note 25)*	Total Equity
January 1, 2016	6,000	3,759	(9)	9,750	52	9,802
Net income	—	730	—	730	4	734
Other comprehensive income	—	—	—	—	—	—
Distributions to noncontrolling interest	—	—	—	—	(6)	(6)
Dividends on common shares	—	(2)	—	(2)	—	(2)
Return of stated capital *(Note 21)*	(609)	—	—	(609)	—	(609)
December 31, 2016	**5,391**	**4,487**	**(9)**	**9,869**	**50**	**9,919**

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

Year ended December 31 *(millions of Canadian dollars)*	2017	2016
Operating activities		
Net income	717	736
Environmental expenditures	(24)	(20)
Adjustments for non-cash items:		
Depreciation and amortization (excluding asset removal costs)	720	679
Regulatory assets and liabilities	112	(16)
Deferred income taxes	96	111
Other	10	10
Changes in non-cash balances related to operations *(Note 27)*	63	168
Net cash from operating activities	**1,694**	**1,668**
Financing activities		
Long-term debt issued	—	2,300
Long-term debt repaid	(602)	(502)
Short-term notes issued	3,795	3,031
Short-term notes repaid	(3,338)	(4,053)
Promissory note issued *(Note 26)*	486	—
Promissory note repaid *(Note 26)*	(486)	—
Return of stated capital	(535)	(609)
Preferred shares issued	486	—
Dividends paid	(15)	(2)
Distributions paid to noncontrolling interest	(6)	(9)
Change in bank indebtedness	3	—
Other	—	(10)
Net cash from (used in) financing activities	**(212)**	**146**
Investing activities		
Capital expenditures *(Note 27)*		
Property, plant and equipment	(1,456)	(1,594)
Intangible assets	(80)	(61)
Acquisitions *(Note 4)*	—	(224)
Capital contributions received *(Note 27)*	9	21
Other	(3)	3
Net cash used in investing activities	**(1,530)**	**(1,855)**
Net change in cash and cash equivalents	(48)	(41)
Cash and cash equivalents, beginning of year	48	89
Cash and cash equivalents, end of year	**—**	**48**

See accompanying notes to Consolidated Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the Business Corporations Act (Ontario) and is wholly-owned by Hydro One Limited. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles (GAAP) and in Canadian dollars.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made, with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, pension benefits, post-retirement and post-employment benefits, asset retirement obligations, goodwill and asset impairments, contingencies, unbilled revenues, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.

Rate Setting

The Company's Transmission Business consists of the transmission business of Hydro One Networks Inc. (Hydro One Networks), Hydro One Sault Ste. Marie LP (HOSSM) (formerly Great Lakes Power Transmission LP), and its 66% interest in B2M Limited Partnership (B2M LP). The Company's Distribution Business consists of the distribution businesses of Hydro One Networks, as well as Hydro One Remote Communities Inc. (Hydro One Remote Communities).

<u>Transmission</u>

In November 2017, the Ontario Energy Board (OEB) approved Hydro One Networks' 2017 transmission rates revenue requirement of $1,438 million. See Note 12 - Regulatory Assets and Liabilities for additional information.

In December 2015, the OEB approved B2M LP's 2015-2019 rates revenue requirements of $39 million, $36 million, $37 million, $38 million and $37 million for the respective years. On January 14, 2016, the OEB approved the B2M LP revenue requirement recovery through the 2016 Uniform Transmission Rates, and the establishment of a deferral account to capture costs of Tax Rate and Rule changes. On June 8, 2017, the OEB approved the 2017 rates revenue requirement of $34 million, updated for the cost of capital parameters.

On September 28, 2017, the OEB issued its Decision and Order on HOSSM's 2017 transmission rates application, denying the requested revenue requirement for 2017. HOSSM's 2016 approved revenue requirement of $41 million will remain in effect for 2017.

<u>Distribution</u>

In March 2015, the OEB approved Hydro One Networks' distribution revenue requirements of $1,326 million for 2015, $1,430 million for 2016 and $1,486 million for 2017. The OEB has subsequently approved updated revenue requirements of $1,410 million for 2016 and $1,415 million for 2017.

On March 30, 2017, the OEB approved an increase of 1.9% to Hydro One Remote Communities' basic rates for the distribution and generation of electricity, with an effective date of May 1, 2017.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent 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 liabilities that generally represent amounts that are refundable to future customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations in the period that the assessment is made.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.

Revenue Recognition

Transmission revenues are collected through OEB-approved rates, which are based on an approved revenue requirement that includes a rate of return. Such revenue is recognized as electricity is transmitted and delivered to customers.

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes.

Distribution revenue also includes an amount relating to rate protection for rural, residential, and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered.

Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company's best estimate of losses on billed accounts receivable balances. The Company estimates the allowance for doubtful accounts on billed accounts receivable by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the billed accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The allowance for doubtful accounts is affected by changes in volume, prices and economic conditions.

Noncontrolling interest

Noncontrolling interest represents the portion of equity ownership in subsidiaries that is not attributable to the shareholder of Hydro One. Noncontrolling interest is initially recorded at fair value and subsequently the amount is adjusted for the proportionate share of net income and other comprehensive income (OCI) attributable to the noncontrolling interest and any dividends or distributions paid to the noncontrolling interest.

If a transaction results in the acquisition of all, or part, of a noncontrolling interest in a subsidiary, the acquisition of the noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in consolidated net income or comprehensive income as a result of changes in the noncontrolling interest, unless a change results in the loss of control by the Company.

Income Taxes

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Consolidated Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Under this method, deferred income tax liabilities are recognized on all taxable temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for deductible temporary differences between tax bases and carrying amounts of assets and liabilities, the carry forward unused tax credits and tax losses to the extent that it is more-likely-than-not that these deductions, credits, and losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Consolidated Statements of Operations and Comprehensive Income.

Management reassesses the deferred income tax assets at each balance sheet date and reduces the amount to the extent that it is more-likely-than-not that the deferred income tax asset will not be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Company records regulatory assets and liabilities associated with deferred income tax assets and liabilities that will be included in the rate-setting process.

The Company uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Consolidated Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002*, as well as other land access rights.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets.

The capitalized financing costs are a reduction of financing charges recognized in the Consolidated Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The most recent reviews resulted in changes to rates effective January 1, 2015 and January 1, 2017 for Hydro One Networks' distribution and transmission businesses, respectively. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate	
	Service Life	Range	Average
Property, plant and equipment:			
Transmission	55 years	1% – 3%	2%
Distribution	46 years	1% – 7%	2%
Communication	16 years	1% – 15%	6%
Administration and service	20 years	1% – 20%	6%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Acquisitions and Goodwill

The Company accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair value at the date of acquisition. Costs associated with pending acquisitions are expensed as incurred. Goodwill represents the cost of acquired companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

Based on assessment performed as at September 30, 2017, the Company has concluded that goodwill was not impaired at December 31, 2017.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

Within its regulated business, the carrying costs of most of Hydro One's long-lived assets are included in rate base 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. As at December 31, 2017 and 2016, no asset impairment had been recorded.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers the external transaction costs related to obtaining debt financing and presents such amounts net of related debt on the Consolidated Balance Sheets. Deferred debt issuance costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Consolidated Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and OCI. Hydro One presents net income and OCI in a single continuous Consolidated Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 16 – Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

The Company closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Company may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. The Company offsets fair value amounts recognized on its Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Consolidated Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Consolidated Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Consolidated Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. The Company does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2017 or 2016.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. The Company also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Company's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

The Company recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration costs in the Consolidated Statements of Operations and Comprehensive Income.

Defined Benefit Pension

Defined benefit pension costs are recorded on an accrual basis for financial reporting purposes. Pension costs are actuarially determined using the projected benefit method prorated on service and are based on assumptions that reflect management's best estimate of the effect of future events, including future compensation increases. Past service costs from plan amendments and all actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees in the plan, and over the estimated remaining life expectancy of inactive employees in the plan. Pension plan assets, consisting primarily of listed equity securities as well as corporate and government debt securities, are fair valued at the end of each year. Hydro One records a regulatory asset equal to the net underfunded projected benefit obligation for its pension plan.

Post-retirement and Post-employment Benefits

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the associated regulatory liabilities representing actuarial gains on transition to US GAAP are amortized to results of operations based on the "corridor" approach. The actuarial gains and losses on post-employment obligations that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

Stock-Based Compensation

Share Grant Plans

Hydro One measures share grant plans based on fair value of share grants as estimated based on the grant date Hydro One Limited common share price. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Costs are transfered from the regulatory asset to labour costs at the time the share grants vest and are issued, and are recovered in rates. Forfeitures are recognized as they occur.

Deferred Share Unit (DSU) Plans

The Company records the liabilities associated with its Directors' and Management DSU Plans at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on the Hydro One Limited common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures the restricted share units (RSUs) and performance share units (PSUs), issued under Hydro One Limited's LTIP, at fair value based on the grant date Hydro One Limited common share price. The related compensation expense is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Hydro One is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Consolidated Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Consolidated Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One records a liability for the estimated future expenditures associated with contaminated land assessment and remediation and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's transmission and distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Company's asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board that are applicable to Hydro One:

Recently Adopted Accounting Guidance

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-06	March 2016	Contingent call (put) options that are assessed to accelerate the payment of principal on debt instruments need to meet the criteria of being "clearly and closely related" to their debt hosts.	January 1, 2017	No impact upon adoption

Recently Issued Accounting Guidance Not Yet Adopted

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2014-09 2015-14 2016-08 2016-10 2016-12 2016-20 2017-05 2017-10 2017-13 2017-14	May 2014 – November 2017	ASU 2014-09 was issued in May 2014 and provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2015-14 deferred the effective date of ASU 2014-09 by one year. Additional ASUs were issued in 2016 and 2017 that simplify transition and provide clarity on certain aspects of the new standard.	January 1, 2018	Hydro One has completed the review of all its revenue streams and has concluded that there will be no material impact upon adoption.
2016-02 2018-01	February 2016 – January 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840.	January 1, 2019	An initial assessment is currently underway encompassing a review of existing leases, which will be followed by a review of relevant contracts. No quantitative determination has been made at this time. The Company is on track for implementation of this standard by the effective date.
2016-15	August 2016	The amendments provide guidance for eight specific cash flow issues with the objective of reducing the existing diversity in practice.	January 1, 2018	No material impact
2017-01	January 2017	The amendment clarifies the definition of a business and provides additional guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.	January 1, 2018	No material impact
2017-04	January 2017	The amendment removes the second step of the current two-step goodwill impairment test to simplify the process of testing goodwill.	January 1, 2020	Under assessment
2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company's employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One has applied for a regulatory deferral account to maintain the capitalization of OPEB related costs. As such, there will be no material impact.
2017-09	May 2017	Changes to the terms or conditions of a share-based payment award will require an entity to apply modified accounting unless the modified award meets all conditions stipulated in this ASU.	January 1, 2018	No impact
2017-11	July 2017	When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock.	January 1, 2019	Under assessment
2017-12	August 2017	Amendments will better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results.	January 1, 2019	Under assessment

4. BUSINESS COMBINATIONS

Acquisition of HOSSM

On October 31, 2016, Hydro One acquired HOSSM, an Ontario regulated electricity transmission business operating along the eastern shore of Lake Superior, north and east of Sault Ste. Marie, Ontario from Brookfield Infrastructure Holdings Inc. The total purchase price for HOSSM was approximately $376 million, including the assumption of approximately $150 million in outstanding indebtedness. During 2017, the Company completed the final determination of the fair value of assets acquired and liabilities assumed with no significant changes, which resulted in a total goodwill of approximately $157 million arising from the HOSSM acquisition. The difference between the preliminary and final purchase price allocation to fair value of assets acquired and liabilities related to a $2 million decrease in deferred income tax liabilities which resulted in a corresponding decrease to goodwill. The following table summarizes the final fair value of the assets acquired and liabilities assumed:

(millions of dollars)	
Cash and cash equivalents	5
Property, plant and equipment	221
Intangible assets	1
Regulatory assets	50
Goodwill	157
Working capital	(2)
Long-term debt	(186)
Pension and post-employment benefit liabilities, net	(5)
Deferred income taxes	(15)
	226

Goodwill arising from the HOSSM acquisition consists largely of the synergies and economies of scale expected from combining the operations of Hydro One and HOSSM. HOSSM contributed revenues of $6 million and less than $1 million of net income to the Company's consolidated financial results for the year ended December 31, 2016. All costs related to the acquisition have been expensed through the Consolidated Statements of Operations and Comprehensive Income. HOSSM's financial information was not material to the Company's consolidated financial results for the year ended December 31, 2016 and therefore, has not been disclosed on a pro forma basis.

Agreement to Purchase Orillia Power

On August 15, 2016, the Company reached an agreement to acquire Orillia Power Distribution Corporation (Orillia Power), an electricity distribution company located in Simcoe County, Ontario, from the City of Orillia for approximately $41 million, including the assumption of approximately $15 million in outstanding indebtedness and regulatory liabilities, subject to closing adjustments. The acquisition is subject to regulatory approval by the OEB.

5. DEPRECIATION AND AMORTIZATION

Year ended December 31 *(millions of dollars)*	2017	2016
Depreciation of property, plant and equipment	634	603
Asset removal costs	90	90
Amortization of intangible assets	62	56
Amortization of regulatory assets	24	20
	810	769

6. FINANCING CHARGES

Year ended December 31 *(millions of dollars)*	2017	2016
Interest on long-term debt	450	424
Interest on short-term notes	6	9
Other	12	15
Less: Interest capitalized on construction and development in progress	(56)	(54)
Interest earned on cash and cash equivalents	(1)	(2)
	411	392

7. INCOME TAXES

Income tax expense 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 the effective tax rates is provided as follows:

Year ended December 31 *(millions of dollars)*	2017	2016
Income before income taxes	837	871
Income taxes at statutory rate of 26.5% (2016 - 26.5%)	222	231
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(55)	(53)
Pension contributions in excess of pension expense	(13)	(16)
Overheads capitalized for accounting but deducted for tax purposes	(17)	(16)
Interest capitalized for accounting but deducted for tax purposes	(15)	(14)
Environmental expenditures	(6)	(5)
Other	1	5
Net temporary differences	(105)	(99)
Net permanent differences	3	3
Total income taxes	120	135

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	2017	2016
Current income taxes	24	24
Deferred income taxes	96	111
Total income taxes	120	135
Effective income tax rate	14.3%	15.5%

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates. Deferred income tax assets and liabilities arise from differences between the tax basis and the carrying amounts of the assets and liabilities. At December 31, 2017 and 2016, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	2017	2016
Deferred income tax assets		
Depreciation and amortization in excess of capital cost allowance	109	477
Non-depreciable capital property	271	271
Post-retirement and post-employment benefits expense in excess of cash payments	558	603
Environmental expenditures	71	74
Non-capital losses	240	213
Tax credit carryforwards	49	27
Investment in subsidiaries	84	75
Other	13	3
	1,395	1,743
Less: valuation allowance	(364)	(352)
Total deferred income tax assets	1,031	1,391
Less: current portion	—	—
	1,031	1,391
Deferred income tax liabilities		
Regulatory amounts that are not recognized for tax purposes	(47)	(153)
Goodwill	(10)	(10)
Capital cost allowance in excess of depreciation and amortization	(74)	(64)
Other	(16)	(11)
Total deferred income tax liabilities	(147)	(238)
Less: current portion	—	—
	(147)	(238)
Net deferred income tax assets	884	1,153

The net deferred income tax assets are presented on the Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	2017	2016
Long-term:		
Deferred income tax assets	954	1,213
Deferred income tax liabilities	(70)	(60)
Net deferred income tax assets	884	1,153

The valuation allowance for deferred tax assets as at December 31, 2017 was $364 million (2016 – $352 million). The valuation allowance primarily relates to temporary differences for non-depreciable assets and investments in subsidiaries. As of December 31, 2017 and 2016, the Company had non-capital losses carried forward available to reduce future years' taxable income, which expire as follows:

Year of expiry *(millions of dollars)*	2017	2016
2034	2	2
2035	221	221
2036	558	579
2037	123	—
Total losses	904	802

8. ACCOUNTS RECEIVABLE

December 31 *(millions of dollars)*	2017	2016
Accounts receivable – billed	297	427
Accounts receivable – unbilled	367	441
Accounts receivable, gross	664	868
Allowance for doubtful accounts	(29)	(35)
Accounts receivable, net	635	833

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2017 and 2016:

Year ended December 31 *(millions of dollars)*	2017	2016
Allowance for doubtful accounts – beginning	(35)	(61)
Write-offs	25	37
Additions to allowance for doubtful accounts	(19)	(11)
Allowance for doubtful accounts – ending	(29)	(35)

9. OTHER CURRENT ASSETS

December 31 *(millions of dollars)*	2017	2016
Regulatory assets *(Note 12)*	46	37
Materials and supplies	18	19
Prepaid expenses and other assets	40	41
	104	97

10. PROPERTY, PLANT AND EQUIPMENT

December 31, 2017 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	15,509	5,162	989	11,336
Distribution	10,213	3,513	149	6,849
Communication	1,088	742	22	368
Administration and service	1,561	857	46	750
Easements	638	70	—	568
	29,009	10,344	1,206	19,871

December 31, 2016 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	14,692	4,862	910	10,740
Distribution	9,656	3,305	243	6,594
Communication	1,069	674	9	404
Administration and service	1,632	924	61	769
Easements	628	67	—	561
	27,677	9,832	1,223	19,068

Financing charges capitalized on property, plant and equipment under construction were $54 million in 2017 (2016 – $52 million).

11. INTANGIBLE ASSETS

December 31, 2017 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	698	370	41	369
Other	5	5	—	—
	703	375	41	369

December 31, 2016 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	621	326	53	348
Other	5	4	—	1
	626	330	53	349

Financing charges capitalized to intangible assets under development were $2 million in 2017 (2016 – $2 million). The estimated annual amortization expense for intangible assets is as follows: 2018 – $67 million; 2019 – $57 million; 2020 – $40 million; 2021 – $39 million; and 2022 – $36 million.

12. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. Hydro One has recorded the following regulatory assets and liabilities:

December 31 *(millions of dollars)*	2017	2016
Regulatory assets:		
Deferred income tax regulatory asset	1,762	1,587
Pension benefit regulatory asset	981	900
Post-retirement and post-employment benefits	36	243
Environmental	196	204
Share-based compensation	40	31
Debt premium	27	32
Foregone revenue deferral	23	—
Distribution system code exemption	10	10
B2M LP start-up costs	4	5
Retail settlement variance account	—	145
2015-2017 rate rider	—	7
Pension cost variance	—	4
Other	16	14
Total regulatory assets	3,095	3,182
Less: current portion	(46)	(37)
	3,049	3,145
Regulatory liabilities:		
Green Energy expenditure variance	60	69
External revenue variance	46	64
CDM deferral variance	28	54
Pension cost variance	23	—
2015-2017 rate rider	6	—
Deferred income tax regulatory liability	5	4
Other	17	18
Total regulatory liabilities	185	209
Less: current portion	(57)	—
	128	209

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The Company has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Company's income tax expense would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2017 income tax expense would have been higher by approximately $113 million (2016 – $104 million).

On September 28, 2017, the OEB issued its Decision and Order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements (Decision). In its Decision, the OEB concluded that the net deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime should not accrue entirely to Hydro One's shareholders and that a portion should be shared with ratepayers. On November 9, 2017, the OEB issued a Decision and Order that calculated the portion of the tax savings that should be shared with ratepayers. The OEB's calculation would result in an impairment of Hydro One Networks' transmission deferred income tax regulatory asset of up to approximately $515 million. If the OEB were to apply the same calculation for sharing in Hydro One Networks' 2018-2022 distribution rates, for which a decision is currently outstanding, it would result in an additional impairment of up to approximately $370 million related to Hydro One Networks' distribution deferred income tax regulatory asset. In October 2017, the Company filed a Motion to Review and Vary (Motion) the Decision and filed an appeal with the Divisional Court of Ontario (Appeal). On December 19, 2017, the OEB granted a hearing of the merits of the Motion which is scheduled for mid-February 2018. In both cases, the Company's position is that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. The Appeal is being held in abeyance pending the outcome of the Motion. If the Decision is upheld, based on the facts known at this time, the exposure from the potential impairments would be a one-time decrease in net income of up to approximately $885 million. Based on the assumptions that the OEB applies established rate making principles in a manner consistent with its past practice and does not exercise its discretion to take other policy considerations into account, management is of the view that it is likely that the Company's Motion will be granted and the aforementioned tax savings will be allocated to the benefit of Hydro One shareholders.

Pension Benefit Regulatory Asset

In accordance with OEB rate orders, pension costs are recovered on a cash basis as employer contributions are paid to the pension fund in accordance with the Pension Benefits Act (Ontario). The Company recognizes the net unfunded status of pension obligations on the Consolidated Balance Sheets with an offset to the associated regulatory asset. A regulatory asset is recognized because management considers it to be probable that pension benefit costs will be recovered in the future through the rate-setting process. The pension benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, OCI would have been lower by $80 million and operation, maintenance and administration expenses would have been higher by $1 million (2016 – OCI higher by $52 million).

Post-Retirement and Post-Employment Benefits

The Company recognizes the net unfunded status of post-retirement and post-employment obligations on the Consolidated Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2017 OCI would have been higher by $207 million (2016 – lower by $3 million).

Environmental

Hydro One records a liability for the estimated future expenditures required to remediate environmental contamination. Because such expenditures are expected to be recoverable in future rates, the Company has recorded an equivalent amount as a regulatory asset. In 2017, the environmental regulatory asset increased by $1 million (2016 – decreased by $1 million) to reflect related changes in the Company's PCB liability, and increased by $7 million (2016 – $10 million) due to changes in the land assessment and remediation liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of Hydro One's actual environmental expenditures. In the absence of rate-regulated accounting, 2017 operation, maintenance and administration expenses would have been higher by $8 million (2016 – $9 million). In addition, 2017 amortization expense would have been lower by $24 million (2016 – $20 million), and 2017 financing charges would have been higher by $8 million (2016 – $8 million).

Share-based Compensation

The Company recognizes costs associated with share grant plans in a regulatory asset as management considers it probable that share grant plans' costs will be recovered in the future through the rate-setting process. In the absence of rate-regulated accounting, 2017 operation, maintenance and administration expenses would have been higher by $7 million (2016 – $9 million). Share grant costs are transferred to labour costs at the time the share grants vest and are issued, and are recovered in rates in accordance with recovery of said labour costs.

Debt Premium

The value of debt assumed in the acquisition of HOSSM has been recorded at fair value in accordance with US GAAP - Business Combinations. The OEB allows for recovery of interest at the coupon rate of the Senior Secured Bonds and a regulatory asset has been recorded for the difference between the fair value and face value of this debt. The debt premium is recovered over the remaining term of the debt.

Foregone Revenue Deferral

As part of its September 2017 decision on Hydro One Networks' transmission rate application for 2017 and 2018 rates, the OEB approved the foregone revenue account to record the difference between revenue earned under the rates approved as part of the decision, effective January 1, 2017, and revenue earned under the interim rates until the approved 2017 rates were implemented. The OEB approved a similar account for B2M LP in June 2017 to record the difference between revenue earned under the newly approved rates, effective January 1, 2017, and the revenue recorded under the interim 2017 rates. The balances of these accounts will be returned to or recovered from ratepayers, respectively, over a one-year period ending December 31, 2018. The draft rate order submitted by Hydro One Networks was approved by the OEB in November, 2017. This draft rate order reflects the September 2017 decision, including a reduction of the amount of cash taxes approved for recovery in transmission rates due to the OEB's basis to share the savings resulting from a deferred tax asset with ratepayers. The Company's position in the aforementioned Motion is that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. Therefore, the Company has also reflected the impact of the Company's position with respect to the Motion in the Foregone Revenue Deferral account. The timing for recovery of this impact will be determined as part of the outcome of the Motion.

Distribution System Code (DSC) Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the DSC, with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that identified specific expenditures can be recorded in a deferral account subject to the OEB's review in subsequent Hydro One Networks distribution applications. In March 2015, the OEB approved the disposition of the DSC exemption deferral account balance at December 31, 2013, including accrued interest, which was recovered through the 2015-2017 Rate Rider. In addition, the OEB also approved Hydro One's request to discontinue this deferral account. There were no additions to this regulatory account in 2017 or 2016. The remaining balance in this account at December 31, 2016, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application.

B2M LP Start-up Costs

In December 2015, OEB issued its decision on B2M LP's application for 2015-2019 and as part of the decision approved the recovery of $8 million of start-up costs relating to B2M LP. The costs are being recovered over a four-year period which began in 2016, in accordance with the OEB decision.

Retail Settlement Variance Account (RSVA)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In March 2015, the OEB approved the disposition of the total RSVA balance accumulated from January 2012 to December 2013, including accrued interest, to be recovered through the 2015-2017 Rate Rider.

2015-2017 Rate Rider

In March 2015, as part of its decision on Hydro One Networks' distribution rate application for 2015-2019, the OEB approved the disposition of certain deferral and variance accounts, including RSVAs and accrued interest. The 2015-2017 Rate Rider account included the balances approved for disposition by the OEB and was disposed of in accordance with the OEB decision over a 32-month period ended on December 31, 2017. The balance remaining in the account represents an over-collection to be returned to ratepayers in a future rate application. We have not requested recovery of the remaining balance of this account in the current distribution rate application.

Pension Cost Variance

A pension cost variance account was established for Hydro One Networks' transmission and distribution businesses to track the difference between the actual pension expenses incurred and estimated pension costs approved by the OEB. The balance in this regulatory account reflects the deficit of pension costs paid as compared to OEB-approved amounts. In March 2015, the OEB approved the disposition of the distribution business portion of the total pension cost variance account at December 31, 2013, including accrued interest, which was recovered through the 2015-2017 Rate Rider. In September 2017, the OEB approved the disposition of the transmission business portion of the total pension cost variance account as at December 31, 2015, including accrued interest, which is being recovered over a two-year period ending December 31, 2018. In the absence of rate-regulated accounting, 2017 revenue would have been higher by $24 million (2016 – $25 million).

Green Energy Expenditure Variance

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

External Revenue Variance

In May 2009, the OEB approved forecasted amounts related to export service revenue, external revenue from secondary land use, and external revenue from station maintenance and engineering and construction work. In November 2012, the OEB again approved forecasted amounts related to these revenue categories and extended the scope to encompass all other external revenues. The external revenue variance account balance reflects the excess of actual external revenues compared to the OEB-approved forecasted amounts. In September 2017, the OEB approved the disposition of the external revenue variance account as at December 31, 2015, including accrued interest, which is being returned to customers over a two-year period ending December 31, 2018.

CDM Deferral Variance Account

As part of Hydro One Networks' application for 2013 and 2014 transmission rates, Hydro One agreed to establish a new regulatory deferral variance account to track the impact of actual Conservation and Demand Management (CDM) and demand response results on the load forecast compared to the estimated load forecast included in the revenue requirement. The balance in the CDM deferral variance account relates to the actual 2013 and 2014 CDM compared to the amounts included in 2013 and 2014 revenue requirements, respectively. There were no additions to this regulatory account in 2017 or 2016. The balance of the account at December 31, 2015, including interest, was approved for disposition in the 2017-2018 transmission rate decision and is currently being drawn down over a 2-year period ending December 31, 2018.

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

December 31 *(millions of dollars)*	2017	2016
Accounts payable	173	177
Accrued liabilities	563	651
Accrued interest	99	105
Regulatory liabilities *(Note 12)*	57	—
	892	933

14. OTHER LONG-TERM LIABILITIES

December 31 *(millions of dollars)*	2017	2016
Post-retirement and post-employment benefit liability *(Note 18)*	1,507	1,628
Pension benefit liability *(Note 18)*	981	900
Environmental liabilities *(Note 19)*	168	177
Due to related parties *(Note 26)*	39	26
Asset retirement obligations *(Note 20)*	9	9
Long-term accounts payable and other liabilities	30	25
	2,734	2,765

15. DEBT AND CREDIT AGREEMENTS

Short-Term Notes and Credit Facilities

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under its Commercial Paper Program which has a maximum authorized amount of $1.5 billion. These short-term notes are denominated in Canadian dollars with varying maturities up to 365 days. The Commercial Paper Program is supported by the Company's committed revolving credit facilities totalling $2.3 billion. In June 2017, the maturity date of Hydro One's $2.3 billion credit facilities was extended from June 2021 to June 2022.

The Company may use the credit facilities for working capital and general corporate purposes. If used, interest on the credit facilities would apply based on Canadian benchmark rates. The obligation of each lender to make any credit extension under its credit facility is subject to various conditions including that no event of default has occurred or would result from such credit extension.

Long-Term Debt

The following table presents long-term debt outstanding at December 31, 2017 and 2016:

December 31 *(millions of dollars)*	2017	2016
5.18% Series 13 notes due 2017	—	600
2.78% Series 28 notes due 2018	750	750
Floating-rate Series 31 notes due 2019[1]	228	228
1.48% Series 37 notes due 20192	500	500
4.40% Series 20 notes due 2020	300	300
1.62% Series 33 notes due 20202	350	350
1.84% Series 34 notes due 2021	500	500
3.20% Series 25 notes due 2022	600	600
2.77% Series 35 notes due 2026	500	500
7.35% Debentures due 2030	400	400
6.93% Series 2 notes due 2032	500	500
6.35% Series 4 notes due 2034	385	385
5.36% Series 9 notes due 2036	600	600
4.89% Series 12 notes due 2037	400	400
6.03% Series 17 notes due 2039	300	300
5.49% Series 18 notes due 2040	500	500
4.39% Series 23 notes due 2041	300	300
6.59% Series 5 notes due 2043	315	315
4.59% Series 29 notes due 2043	435	435
4.17% Series 32 notes due 2044	350	350
5.00% Series 11 notes due 2046	325	325
3.91% Series 36 notes due 2046	350	350
3.72% Series 38 notes due 2047	450	450
4.00% Series 24 notes due 2051	225	225
3.79% Series 26 notes due 2062	310	310
4.29% Series 30 notes due 2064	50	50
Hydro One long-term debt (a)	9,923	10,523
6.6% Senior Secured Bonds due 2023 (Face value - $110 million)	136	144
4.6% Note Payable due 2023 (Face value - $36 million)	40	40
HOSSM long-term debt (b)	176	184
	10,099	10,707
Add: Net unamortized debt premiums	14	15
Add: Unrealized mark-to-market gain[2]	(9)	(2)
Less: Deferred debt issuance costs	(37)	(40)
Total long-term debt	10,067	10,680

[1] The interest rates of the floating-rate notes are referenced to the three-month Canadian dollar bankers' acceptance rate, plus a margin.

[2] The unrealized mark-to-market net gain relates to $50 million of the Series 33 notes due 2020 and $500 million Series 37 notes due 2019. The unrealized mark-to-market net gain is offset by a $9 million (2016 – $2 million) unrealized mark-to-market net loss on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

(a) Hydro One long-term debt

At December 31, 2017, long-term debt of $9,923 million (2016 - $10,523 million) was outstanding, the majority of which was issued under Hydro One's Medium Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under the current MTN Program prospectus filed in December 2015 is $3.5 billion. At December 31 2017, $1.2 billion remained available for issuance until January 2018. In 2017, no long-term debt was issued and $600 million of long-term debt was repaid under the MTN Program (2016 - $2,300 million issued and $500 million repaid).

(b) HOSSM long-term debt

At December 31, 2017, long-term debt of $176 million (2016 - $184 million), with a face value of $146 million (2016 - $148 million) was held by HOSSM. In 2017, $2 million of HOSSM long-term debt was repaid (2016 - $2 million).

The total long-term debt is presented on the consolidated balance sheets as follows:

December 31 *(millions of dollars)*	2017	2016
Current liabilities:		
Long-term debt payable within one year	752	602
Long-term liabilities:		
Long-term debt	9,315	10,078
Total long-term debt	10,067	10,680

Principal and Interest Payments

Principal repayments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

Years to Maturity	Long-term Debt Principal Repayments *(millions of dollars)*	Weighted Average Interest Rate *(%)*
1 year	752	2.8
2 years	731	1.6
3 years	653	2.9
4 years	503	1.9
5 years	604	3.2
	3,243	2.5
6 – 10 years	631	3.5
Over 10 years	6,195	5.2
	10,069	4.2

Interest payment obligations related to long-term debt are summarized by year in the following table:

Year	Interest Payments *(millions of dollars)*
2018	426
2019	402
2020	384
2021	370
2022	355
	1,937
2023-2027	1,672
2028+	4,081
	7,690

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest-rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2017 and 2016, the Company's carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, bank indebtedness, short-term notes payable, accounts payable, and due to related parties are representative of fair value due to the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Company's long-term debt at December 31, 2017 and 2016 are as follows:

December 31 *(millions of dollars)*	2017 Carrying Value	2017 Fair Value	2016 Carrying Value	2016 Fair Value
$50 million of MTN Series 33 notes	49	49	50	50
$500 million MTN Series 37 notes	492	492	498	498
Other notes and debentures	9,526	11,027	10,132	11,462
Long-term debt, including current portion	10,067	11,568	10,680	12,010

Fair Value Measurements of Derivative Instruments

At December 31, 2017, Hydro One had interest-rate swaps in the amount of $550 million (2016 – $550 million) that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. Hydro One's fair value hedge exposure was approximately 6% (2016 – 5%) of its total long-term debt. At December 31, 2017, Hydro One had the following interest-rate swaps designated as fair value hedges:

- a $50 million fixed-to-floating interest-rate swap agreement to convert $50 million of the $350 million MTN Series 33 notes maturing April 30, 2020 into three-month variable rate debt; and
- two $125 million and one $250 million fixed-to-floating interest-rate swap agreements to convert the $500 million MTN Series 37 notes maturing November 18, 2019 into three-month variable rate debt.

At December 31, 2017 and 2016, the Company had no interest-rate swaps classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2017 and 2016 is as follows:

December 31, 2017 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Bank indebtedness	3	3	3	—	—
Short-term notes payable	926	926	926	—	—
Long-term debt, including current portion	10,067	11,568	—	11,568	—
Derivative instruments					
Fair value hedges – interest-rate swaps	9	9	9	—	—
	11,005	12,506	938	11,568	—

December 31, 2016 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	48	48	48	—	—
	48	48	48	—	—
Liabilities:					
Short-term notes payable	469	469	469	—	—
Long-term debt, including current portion	10,680	12,010	—	12,010	—
Derivative instruments					
Fair value hedges – interest-rate swaps	2	2	2	—	—
	11,151	12,481	471	12,010	—

Cash and cash equivalents include cash and short-term investments. The carrying values are representative of fair value because of the short-term nature of these instruments.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no transfers between any of the fair value levels during the years ended December 31, 2017 or 2016.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss which results from changes in costs, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates as its regulated return on equity is derived using a formulaic approach that takes anticipated interest rates into account. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments to lock in interest-rate levels in anticipation of future financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's net income for the years ended December 31, 2017 and 2016.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2017 and 2016 was not material.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2017 and 2016, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a material amount of revenue from any single customer. At December 31, 2017 and 2016, there was no material accounts receivable balance due from any single customer.

At December 31, 2017, the Company's provision for bad debts was $29 million (2016 – $35 million). Adjustments and write-offs are determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2017, approximately 5% (2016 – 6%) of the Company's net accounts receivable were outstanding for more than 60 days.

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highly rated counterparties; limiting total exposure levels with individual counterparties; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties both on an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the Consolidated Balance Sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At December 31, 2017 and 2016, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not material. At December 31, 2017, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the counterparties.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its short-term liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, and the revolving standby credit facilities. The short-term liquidity under the Commercial Paper Program, revolving standby credit facilities, and anticipated levels of funds from operations are expected to be sufficient to fund normal operating requirements.

17. CAPITAL MANAGEMENT

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 appropriate financial returns. In order to ensure ongoing access to capital, the Company targets to maintain strong credit quality. At December 31, 2017 and 2016, the Company's capital structure was as follows:

December 31 *(millions of dollars)*	2017	2016
Long-term debt payable within one year	752	602
Short-term notes payable	926	469
Bank indebtedness	3	—
Less: cash and cash equivalents	—	(48)
	1,681	1,023
Long-term debt	9,315	10,078
Preferred shares	486	—
Common shares	4,856	5,391
Retained earnings	5,183	4,487
Total capital	21,521	20,979

Hydro One and HOSSM have customary covenants typically associated with long-term debt. Hydro One's long-term debt and credit facility covenants limit permissible debt to 75% of its total capitalization, limit the ability to sell assets and impose a negative pledge provision, subject to customary exceptions. At December 31, 2017, the Company was in compliance with all financial covenants and limitations associated with the outstanding borrowings and credit facilities.

18. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan (Pension Plan), a defined contribution pension plan (DC Plan), a supplemental pension plan (Supplemental Plan), and post-retirement and post-employment benefit plans.

DC Plan

Hydro One established a DC Plan effective January 1, 2016. The DC Plan covers eligible management employees hired on or after January 1, 2016, as well as management employees hired before January 1, 2016 who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. Members of the DC Plan have an option to contribute 4%, 5% or 6% of their pensionable earnings, with matching contributions by Hydro One.

Hydro One contributions to the DC Plan for the year ended December 31, 2017 were $1 million (2016 – less than $1 million). At December 31, 2017, Company contributions payable included in accrued liabilities on the Consolidated Balance Sheets were less than $1 million (2016 – less than $1 million).

Pension Plan, Supplemental Plan, and Post-Retirement and Post-Employment Plans

The Pension Plan is a defined benefit contributory plan which covers eligible regular employees of Hydro One and its subsidiaries. The Pension Plan provides benefits based on highest three-year average pensionable earnings. For management employees who commenced employment on or after January 1, 2004, and for The Society of Energy Professionals (The Society)-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation. Membership in the Pension Plan was closed to management employees who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. These employees are eligible to join the DC Plan.

Company and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Annual Pension Plan contributions for 2017 of $87 million (2016 – $108 million) were based on an actuarial valuation effective December 31, 2016 (2016 - based on an actuarial valuation effective December 31, 2015) and the level of pensionable earnings. Estimated annual Pension Plan contributions for 2018 and 2019 are approximately $71 million for each year based on the actuarial valuation as at December 31, 2016 and projected levels of pensionable earnings. Future minimum contributions beyond 2019 will be based on an actuarial valuation effective no later than December 31, 2019. Contributions are payable one month in arrears. All of the contributions are expected to be in the form of cash.

The Supplemental Plan provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan but for limitations imposed by the *Income Tax Act* (Canada). The Supplemental Plan obligation is included with other post-retirement and post-employment benefit obligations on the Consolidated Balance Sheets.

Hydro One recognizes the overfunded or underfunded status of the Pension Plan, and post-retirement and post-employment benefit plans (Plans) as an asset or liability on its Consolidated Balance Sheets, with offsetting regulatory assets and liabilities as appropriate. The underfunded benefit obligations for the Plans, in the absence of regulatory accounting, would be recognized in AOCI. The impact of changes in assumptions used to measure pension, post-retirement and post-employment benefit obligations is generally recognized over the expected average remaining service period of the employees. The measurement date for the Plans is December 31.

Year ended December 31 *(millions of dollars)*	Pension Benefits 2017	Pension Benefits 2016	Post-Retirement and Post-Employment Benefits 2017	Post-Retirement and Post-Employment Benefits 2016
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	7,774	7,683	1,676	1,591
Current service cost	147	144	48	41
Employee contributions	49	45	—	—
Interest cost	304	308	67	66
Benefits paid	(368)	(354)	(44)	(43)
Net actuarial loss (gain)	352	(52)	(195)	14
Change due to employees transfer	—	—	—	7
Projected benefit obligation, end of year	8,258	7,774	1,552	1,676
Change in plan assets				
Fair value of plan assets, beginning of year	6,874	6,731	—	—
Actual return on plan assets	662	370	—	—
Benefits paid	(368)	(354)	(34)	(43)
Employer contributions	87	108	34	43
Employee contributions	49	45	—	—
Administrative expenses	(27)	(26)	—	—
Fair value of plan assets, end of year	7,277	6,874	—	—
Unfunded status	981	900	1,552	1,676

Hydro One presents its benefit obligations and plan assets net on its Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	Pension Benefits 2017	Pension Benefits 2016	Post-Retirement and Post-Employment Benefits 2017	Post-Retirement and Post-Employment Benefits 2016
Other assets[1]	1	1	—	—
Accrued liabilities	—	—	52	55
Pension benefit liability	981	900	—	—
Post-retirement and post-employment benefit liability[2]	—	—	1,507	1,628
Net unfunded status	980	899	1,559	1,683

[1] Represents the funded status of HOSSM defined benefit pension plan.
[2] Includes $7 million (2016 – $7 million) relating to HOSSM post-employment benefit plans.

The funded or unfunded status of the pension, post-retirement and post-employment benefit plans refers to the difference between the fair value of plan assets and the projected benefit obligations for the Plans. The funded/unfunded status changes over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following table provides the projected benefit obligation (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for the Pension Plan:

December 31 *(millions of dollars)*	2017	2016
PBO	8,258	7,774
ABO	7,614	7,094
Fair value of plan assets	7,277	6,874

On an ABO basis, the Pension Plan was funded at 96% at December 31, 2017 (2016 – 97%). On a PBO basis, the Pension Plan was funded at 88% at December 31, 2017 (2016 – 88%). The ABO differs from the PBO in that the ABO includes no assumption about future compensation levels.

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2017 and 2016 for the Pension Plan:

Year ended December 31 *(millions of dollars)*	2017	2016
Current service cost	147	144
Interest cost	304	308
Expected return on plan assets, net of expenses	(442)	(432)
Amortization of actuarial losses	79	96
Net periodic benefit costs	88	116
Charged to results of operations[1]	37	45

[1] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the year ended December 31, 2017, pension costs of $85 million (2016 – $105 million) were attributed to labour, of which $37 million (2016 – $45 million) was charged to operations, and $48 million (2016 – $60 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2017 and 2016 for the post-retirement and post-employment benefit plans:

Year ended December 31 *(millions of dollars)*	2017	2016
Current service cost	48	41
Interest cost	67	66
Amortization of actuarial losses	16	15
Net periodic benefit costs	131	122
Charged to results of operations	58	53

Assumptions

The measurement of the obligations of the Plans and the costs of providing benefits under the Plans involves various factors, including the development of valuation assumptions and accounting policy elections. When developing the required assumptions, the Company considers historical information as well as future expectations. The measurement of benefit obligations and costs is impacted by several assumptions including the discount rate applied to benefit obligations, the long-term expected rate of return on plan assets, Hydro One's expected level of contributions to the Plans, the incidence of mortality, the expected remaining service period of plan participants, the level of compensation and rate of compensation increases, employee age, length of service, and the anticipated rate of increase of health care costs, among other factors. The impact of changes in assumptions used to measure the obligations of the Plans is generally recognized over the expected average remaining service period of the plan participants. In selecting the expected rate of return on plan assets, Hydro One considers historical economic indicators that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by target asset class allocations. In general, equity securities, real estate and private equity investments are forecasted to have higher returns than fixed-income securities.

The following weighted average assumptions were used to determine the benefit obligations at December 31, 2017 and 2016:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31	2017	2016	2017	2016
Significant assumptions:				
Weighted average discount rate	3.40%	3.90%	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%	2.00%	2.00%
Rate of increase in health care cost trends[1]	—	—	4.04%	4.36%

[1] 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031 (2016 – 6.25% in 2017, grading down to 4.36% per annum in and after 2031).

The following weighted average assumptions were used to determine the net periodic benefit costs for the years ended December 31, 2017 and 2016. Assumptions used to determine current year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Year ended December 31	2017	2016
Pension Benefits:		
Weighted average expected rate of return on plan assets	6.50%	6.50%
Weighted average discount rate	3.90%	4.00%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15	15
Post-Retirement and Post-Employment Benefits:		
Weighted average discount rate	3.90%	4.10%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15.2	15.3
Rate of increase in health care cost trends[1]	4.36%	4.36%

[1] 6.25% per annum in 2017, grading down to 4.36% per annum in and after 2031 (2016 – 6.38% in 2016, grading down to 4.36% per annum in and after 2031).

The discount rate used to determine the current year pension obligation and the subsequent year's net periodic benefit costs is based on a yield curve approach. Under the yield curve approach, expected future benefit payments for each plan are discounted by a rate on a third-party bond yield curve corresponding to each duration. The yield curve is based on "AA" long-term corporate bonds. A single discount rate is calculated that would yield the same present value as the sum of the discounted cash flows.

The effect of a 1% change in health care cost trends on the projected benefit obligation for the post-retirement and post-employment benefits at December 31, 2017 and 2016 is as follows:

December 31 *(millions of dollars)*	2017	2016
Projected benefit obligation:		
Effect of a 1% increase in health care cost trends	247	286
Effect of a 1% decrease in health care cost trends	(188)	(219)

The effect of a 1% change in health care cost trends on the service cost and interest cost for the post-retirement and post-employment benefits for the years ended December 31, 2017 and 2016 is as follows:

Year ended December 31 *(millions of dollars)*	2017	2016
Service cost and interest cost:		
Effect of a 1% increase in health care cost trends	28	22
Effect of a 1% decrease in health care cost trends	(20)	(16)

The following approximate life expectancies were used in the mortality assumptions to determine the projected benefit obligations for the pension and post-retirement and post-employment plans at December 31, 2017 and 2016:

December 31, 2017				December 31, 2016			
Life expectancy at 65 for a member currently at				Life expectancy at 65 for a member currently at			
Age 65		Age 45		Age 65		Age 45	
Male	Female	Male	Female	Male	Female	Male	Female
22	24	23	24	22	24	23	24

Estimated Future Benefit Payments

At December 31, 2017, estimated future benefit payments to the participants of the Plans were:

(millions of dollars)	Pension Benefits	Post-Retirement and Post-Employment Benefits
2018	326	53
2019	335	54
2020	342	56
2021	350	57
2022	358	58
2023 through to 2027	1,886	311
Total estimated future benefit payments through to 2027	3,597	589

Components of Regulatory Assets

A portion of actuarial gains and losses and prior service costs is recorded within regulatory assets on Hydro One's Consolidated Balance Sheets to reflect the expected regulatory inclusion of these amounts in future rates, which would otherwise be recorded in OCI. The following table provides the actuarial gains and losses and prior service costs recorded within regulatory assets:

Year ended December 31 *(millions of dollars)*	2017	2016
Pension Benefits:		
Actuarial loss (gain) for the year	159	35
Amortization of actuarial losses	(79)	(96)
	80	(61)
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain) for the year	(195)	14
Amortization of actuarial losses	(16)	(15)
Amounts not subject to regulatory treatment	4	4
	(207)	3

The following table provides the components of regulatory assets that have not been recognized as components of net periodic benefit costs for the years ended December 31, 2017 and 2016:

Year ended December 31 *(millions of dollars)*	2017	2016
Pension Benefits:		
Actuarial loss	981	900
Post-Retirement and Post-Employment Benefits:		
Actuarial loss	36	243

The following table provides the components of regulatory assets at December 31 that are expected to be amortized as components of net periodic benefit costs in the following year:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
December 31 *(millions of dollars)*	2017	2016	2017	2016
Actuarial loss	84	79	2	6

Pension Plan Assets

Investment Strategy

On a regular basis, Hydro One evaluates its investment strategy to ensure that Pension Plan assets will be sufficient to pay Pension Plan benefits when due. As part of this ongoing evaluation, Hydro One may make changes to its targeted asset allocation and investment strategy. The Pension Plan is managed at a net asset level. The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Company. The Pension Plan fulfills its primary objective by adhering to specific investment policies outlined in its Summary of Investment Policies and Procedures (SIPP), which is reviewed and approved by the Human Resource Committee of Hydro One's Board of Directors. The Company manages net assets by engaging knowledgeable external investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. The performance of the managers is monitored through a governance structure. Increases in net assets are a direct result of investment income generated by investments held by the Pension Plan and contributions to the Pension Plan by eligible employees and by the Company. The main use of net assets is for benefit payments to eligible Pension Plan members.

Pension Plan Asset Mix

At December 31, 2017, the Pension Plan target asset allocations and weighted average asset allocations were as follows:

	Target Allocation (%)	Pension Plan Assets (%)
Equity securities	55	60
Debt securities	35	31
Other[1]	10	9
	100	100

[1] Other investments include real estate and infrastructure investments.

At December 31, 2017, the Pension Plan held $11 million (2016 – $11 million) Hydro One corporate bonds and $415 million (2016 – $450 million) of debt securities of the Province.

Concentrations of Credit Risk

Hydro One evaluated its Pension Plan's asset portfolio for the existence of significant concentrations of credit risk as at December 31, 2017 and 2016. Concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, concentrations in a type of industry, and concentrations in individual funds. At December 31, 2017 and 2016, there were no significant concentrations (defined as greater than 10% of plan assets) of risk in the Pension Plan's assets.

The Pension Plan's Statement of Investment Beliefs and Guidelines provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade and government bonds and with respect to derivative instruments by transacting only with highly rated financial institutions, and also by ensuring that exposure is diversified across counterparties. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation.

Fair Value Measurements

The following tables present the Pension Plan assets measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at December 31, 2017 and 2016:

December 31, 2017 *(millions of dollars)*	Level 1	Level 2	Level 3	Total
Pooled funds	—	16	549	565
Cash and cash equivalents	153	—	—	153
Short-term securities	—	109	—	109
Derivative instruments	—	5	—	5
Corporate shares – Canadian	921	—	—	921
Corporate shares – Foreign	3,307	125	—	3,432
Bonds and debentures – Canadian	—	1,879	—	1,879
Bonds and debentures – Foreign	—	194	—	194
Total fair value of plan assets[1]	4,381	2,328	549	7,258

[1] At December 31, 2017, the total fair value of Pension Plan assets and liabilities excludes $28 million of interest and dividends receivable, $10 million of pension administration expenses payable, $1 million of sold investments receivable and $1 million of purchased investments payable.

December 31, 2016 *(millions of dollars)*	Level 1	Level 2	Level 3	Total
Pooled funds	—	20	425	445
Cash and cash equivalents	146	—	—	146
Short-term securities	—	127	—	127
Corporate shares – Canadian	911	—	—	911
Corporate shares – Foreign	2,985	113	—	3,098
Bonds and debentures – Canadian	—	1,943	—	1,943
Bonds and debentures – Foreign	—	193	—	193
Total fair value of plan assets[1]	4,042	2,396	425	6,863

[1] At December 31, 2016, the total fair value of Pension Plan assets excludes $27 million of interest and dividends receivable, $15 million of purchased investments payable, $9 million of pension administration expenses payable, and $7 million of sold investments receivable.

See note 16 - Fair Value of Financial Instruments and Risk Management for a description of levels within the fair value hierarchy.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2017 and 2016. The Pension Plan classifies financial instruments as Level 3 when the fair value is measured based on at least one significant input that is not observable in the markets or due to lack of liquidity in certain markets. The gains and losses presented in the table below may include changes in fair value based on both observable and unobservable inputs.

Year ended December 31 *(millions of dollars)*	2017	2016
Fair value, beginning of year	425	301
Realized and unrealized gains	(31)	23
Purchases	171	151
Sales and disbursements	(16)	(50)
Fair value, end of year	549	425

There were no significant transfers between any of the fair value levels during the years ended December 31, 2017 and 2016.

The Company performs sensitivity analysis for fair value measurements classified in Level 3, substituting the unobservable inputs with one or more reasonably possible alternative assumptions. This sensitivity analysis resulted in negligible changes in the fair value of financial instruments classified in this level.

Valuation Techniques Used to Determine Fair Value

Pooled funds mainly consist of private equity, real estate and infrastructure investments. Private equity investments represent private equity funds that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include limited partnerships in businesses that are characterized by high internal growth and operational efficiencies, venture capital, leveraged buyouts and special situations such as distressed investments. Real estate and infrastructure investments represent funds that invest in real assets which are not publicly traded on a stock exchange. Investment strategies in real estate include limited partnerships that seek to generate a total return through income and capital growth by investing primarily in global and Canadian limited partnerships. Investment strategies in infrastructure include limited partnerships in core infrastructure assets focusing on assets that generate stable, long-term cash flows and deliver incremental returns relative to conventional fixed-income investments. Private equity, real estate and infrastructure valuations are reported by the fund manager and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, discounted future cash flows and market-based comparable data. Since these valuation inputs are not highly observable, private equity and infrastructure investments have been categorized as Level 3 within pooled funds.

Cash equivalents consist of demand cash deposits held with banks and cash held by the investment managers. Cash equivalents are categorized as Level 1.

Short-term securities are valued at cost plus accrued interest, which approximates fair value due to their short-term nature. Short-term securities are categorized as Level 2.

Derivative instruments are used to hedge the Pension Plan's foreign currency exposure back to Canadian dollars. The most significant currencies being hedged against the Canadian dollar are the United States dollar, Euro, and Japanese Yen. The terms to maturity of the forward exchange contracts at December 31, 2017 are within three months. The fair value of the derivative instruments is determined using inputs other than quoted prices that are observable for these assets. The fair value is determined using standard interpolation methodology primarily based on the World Markets exchange rates. Derivative instruments are categorized as Level 2.

Corporate shares are valued based on quoted prices in active markets and are categorized as Level 1. Investments denominated in foreign currencies are translated into Canadian currency at year-end rates of exchange.

Bonds and debentures are presented at published closing trade quotations, and are categorized as Level 2.

19. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2017 and 2016:

Year ended December 31, 2017 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities - beginning	143	61	204
Interest accretion	6	2	8
Expenditures	(16)	(8)	(24)
Revaluation adjustment	1	7	8
Environmental liabilities - ending	134	62	196
Less: current portion	(20)	(8)	(28)
	114	54	168

Year ended December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities - beginning	148	59	207
Interest accretion	7	1	8
Expenditures	(11)	(9)	(20)
Revaluation adjustment	(1)	10	9
Environmental liabilities - ending	143	61	204
Less: current portion	(18)	(9)	(27)
	125	52	177

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

December 31, 2017 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	142	64	206
Less: discounting environmental liabilities to present value	(8)	(2)	(10)
Discounted environmental liabilities	134	62	196

December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	158	66	224
Less: discounting environmental liabilities to present value	(15)	(5)	(20)
Discounted environmental liabilities	143	61	204

At December 31, 2017, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2018	28
2019	27
2020	32
2021	34
2022	31
Thereafter	54
	206

Hydro One records a liability for the estimated future expenditures for land assessment and remediation and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated.

There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures.

PCBs

The Environment Canada regulations, enacted under the *Canadian Environmental Protection Act, 1999*, govern the management, storage and disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under current regulations, Hydro One's PCBs have to be disposed of by the end of 2025, with the exception of specifically exempted equipment. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Company's best estimate of the total estimated future expenditures to comply with current PCB regulations is $142 million (2016 – $158 million). These expenditures are expected to be incurred over the period from 2018 to 2025. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2017 to increase the PCB environmental liability by $1 million (2016 – reduce by $1 million).

Land Assessment and Remediation

The Company's best estimate of the total estimated future expenditures to complete its land assessment and remediation program is $64 million (2016 – $66 million). These expenditures are expected to be incurred over the period from 2018 to 2044. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2017 to increase the land assessment and remediation environmental liability by $7 million (2016 – $10 million).

20. ASSET RETIREMENT OBLIGATIONS

Hydro One records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities. Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an asset retirement obligation is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as asset retirement obligations, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's asset retirement obligations represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Asset retirement obligations are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2017, Hydro One had recorded asset retirement obligations of $9 million (2016 – $9 million), primarily consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal.

21. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. At December 31, 2017, the Company had 142,239 common shares issued and outstanding (2016 – 142,239).

In 2017, a return of stated capital in the amount of $535 million (2016 – $609 million) was paid.

The amount and timing of any dividends payable by Hydro One is at the discretion of the Hydro One Board of Directors and is established on the basis of Hydro One's results of operations, maintenance of its deemed regulatory capital structure, financial condition, cash requirements, the satisfaction of solvency tests imposed by corporate laws for the declaration and payment of dividends and other factors that the Board of Directors may consider relevant.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At December 31, 2017, two series of preferred shares are authorized for issuance: the Class A preferred shares and Class B preferred shares. At December 31, 2017, the Company had 485,870 Class B preferred shares and no Class A preferred shares issued and outstanding (2016 - no Class A or Class B preferred shares issued and outstanding).

Class A Preferred Shares

On November 2, 2015, a special resolution of Hydro One Limited (as sole shareholder of Hydro One) was made to amend the articles of Hydro One to delete the share ownership restrictions and to amend the Hydro One preferred share terms to provide for basic redeemable preferred shares. When issued, the Class A preferred shares will be redeemable at the option of the Company. The holders of the Class A preferred shares will be entitled to receive, if and when declared by the Hydro One Board of Directors, non-cumulative preferred share dividends at a rate per year to be determined by the Hydro One Board of Directors. The holders of the Class A preferred shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of Hydro One. The holders of the Class A preferred shares will be entitled to receive, before any distributions to the holders of common shares and any other shares ranking junior to the Class A preferred shares, an amount equal to the amount paid for the Class A preferred shares together with all dividends declared and unpaid up to the date of liquidation, dissolution or winding up of Hydro One, or the date of redemption.

Class B Preferred Shares

On November 10, 2017, a special resolution of Hydro One Limited was made to amend the articles of Hydro One to create an unlimited number of Class B preferred shares. The holders of the Class B preferred shares are entitled to receive quarterly floating-rate cumulative dividends, if and when declared by the Board of Directors, at a rate equal to the sum of the average 3-month Canadian dollar bankers' acceptance rate and 0.25% as reset quarterly. The holders of the Class B preferred shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of Hydro One. The holders of the Class B preferred shares will be entitled to receive, before any distributions to the holders of the Class A preferred shares, the common shares and any other shares ranking junior to the Class B preferred shares, an amount equal to the amount paid for the Class B preferred shares together with all dividends unpaid up to the date of liquidation, dissolution or winding up of Hydro One, or the date of redemption.

The Class B preferred shares have a redemption feature that is outside the control of the Company because the holders can exercise their right to redeem the Class B preferred shares at any time without approval of the Company's Board of Directors. The Class B preferred shares are classified on the Consolidated Balance Sheet as temporary equity because this redemption feature is outside the control of the Company.

On November 20, 2017, Hydro One issued 485,870 Class B preferred shares to 2587264 Ontario Inc., a subsidiary of Hydro One Limited, for proceeds of $486 million.

22. DIVIDENDS

In 2017, common share dividends in the amount of $15 million (2016 – $2 million) were declared and paid.

23. EARNINGS PER COMMON SHARE

Basic and diluted earnings per common share (EPS) is calculated by dividing net income attributable to common shareholder of Hydro One by the weighted average number of common shares outstanding. The weighted average number of shares outstanding at December 31, 2017 was 142,239 (2016 – 142,239). There were no dilutive securities during 2017 or 2016.

24. STOCK-BASED COMPENSATION

The following compensation plans were established by Hydro One Limited, however they represent components of compensation costs of Hydro One in current and future periods.

Share Grant Plans

Hydro One Limited has two share grant plans (Share Grant Plans), one for the benefit of certain members of the Power Workers' Union (the PWU Share Grant Plan) and one for the benefit of certain members of The Society of Energy Professionals (the Society Share Grant Plan). Hydro One and Hydro One Limited entered into an intercompany agreement, such that Hydro One will pay Hydro One Limited for the compensation costs associated with these plans.

The PWU Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of the PWU annually, commencing on April 1, 2017 and continuing until the earlier of April 1, 2028 or the date an eligible employee no longer meets the eligibility criteria of the PWU Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on April 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. The requisite service period for the PWU Share Grant Plan began on July 3, 2015, which is the date the share grant plan was ratified by the PWU. The number of common shares issued annually to each eligible employee will be equal to 2.7% of such eligible employee's salary as at April 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the IPO. The aggregate number of Hydro One Limited common shares issuable under the PWU Share Grant Plan shall not exceed 3,981,763 common shares. In 2015, 3,952,212 Hydro One Limited common shares were granted under the PWU Share Grant Plan relevant to the total share based compensation recognized by Hydro One.

The Society Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of The Society annually, commencing on April 1, 2018 and continuing until the earlier of April 1, 2029 or the date an eligible employee no longer meets the eligibility criteria of the Society Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on September 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. Therefore the requisite service period for the Society Share Grant Plan began on September 1, 2015. The number of common shares issued annually to each eligible employee will be equal to 2.0% of such eligible employee's salary as at September 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the IPO. The aggregate number of Hydro One Limited common shares issuable under the Society Share Grant Plan shall not exceed 1,434,686 common shares. In 2015, 1,367,158 Hydro One Limited common shares were granted under the Society Share Grant Plan relevant to the total share based compensation recognized by Hydro One.

The fair value of the Hydro One Limited 2015 share grants of $111 million was estimated based on the grant date Hydro One Limited share price of $20.50 and is recognized using the graded-vesting attribution method as the share grant plans have both a performance condition and a service condition. In 2017, 369,266 common shares of Hydro One Limited were granted under the Share Grant Plans (2016 - nil) to eligible employees of Hydro One. Total share based compensation recognized during 2017 was $17 million (2016 – $21 million) and was recorded as a regulatory asset.

A summary of share grant activity under the Share Grant Plans during years ended December 31, 2017 and 2016 is presented below:

Year ended December 31, 2017	Share Grants *(number of common shares)*	Weighted-Average Price
Share grants outstanding - beginning	5,239,678	$20.50
Vested and issued[1]	(369,266)	—
Forfeited	(132,629)	$20.50
Share grants outstanding - ending	4,737,783	$20.50

[1] On April 1, 2017, Hydro One LImited issued from treasury 369,266 common shares to eligible Hydro One employees in accordance with provisions of the PWU Share Grant Plan.

Year ended December 31, 2016	Share Grants *(number of common shares)*	Weighted-Average Price
Share grants outstanding – beginning	5,319,370	$20.50
Forfeited[1]	(79,692)	$20.50
Share grants outstanding – ending	5,239,678	$20.50

[1] Includes shares forfeited as well as shares transferred corresponding to transfer of employees from an affiliate company.

Directors' DSU Plan

Under the Directors' DSU Plan, directors can elect to receive credit for their annual cash retainer in a notional account of DSUs in lieu of cash. Hydro One Limited's Board of Directors may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled. Each DSU represents a unit with an underlying value equivalent to the value of one common share of Hydro One Limited and is entitled to accrue Hydro One Limited common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One Limited's Board of Directors.

During the years ended December 31, 2017 and 2016, the Company granted awards under the Directors' DSU Plan, as follows:

Year ended December 31 *(number of DSUs)*	2017	2016
DSUs outstanding – beginning	99,083	20,525
DSUs granted	88,007	78,558
DSUs outstanding – ending	187,090	99,083

For the year ended December 31, 2017, an expense of $2 million (2016 – $2 million) was recognized in earnings with respect to the Directors' DSU Plan. At December 31, 2017, a liability of $4 million (2016 – $2 million), related to outstanding DSUs has been recorded at the closing price of Hydro One Limited's common shares of $22.40 and is included in long-term accounts payable and other liabilities on the Consolidated Balance Sheets.

Management DSU Plan

Under the Management DSU Plan, eligible executive employees can elect to receive a specified proportion of their annual short-term incentive in a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equivalent to the value of one common share of Hydro One Limited and is entitled to accrue common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One's Board of Directors.

During the years ended December 31, 2017 and 2016, the Company granted awards under the Management DSU Plan, as follows:

Year ended December 31 *(number of DSUs)*	2017	2016
DSUs outstanding - beginning	—	—
Granted	64,828	—
Paid	(1,068)	—
DSUs outstanding - ending	63,760	—

For the year ended December 31, 2017, an expense of $2 million (2016 - $nil) was recognized in earnings with respect to the Management DSU Plan. At December 31, 2017, a liability of $2 million (2016 – $nil) related to outstanding DSUs has been recorded at the closing price of Hydro One Limited common shares of $22.40 and is included in long-term accounts payable and other liabilities on the Consolidated Balance Sheets.

Employee Share Ownership Plan

In 2015, Hydro One Limited established Employee Share Ownership Plans (ESOP) for certain eligible management and non-represented employees (Management ESOP) and for certain eligible Society-represented staff (Society ESOP). Under the Management ESOP, the eligible management and non-represented employees may contribute between 1% and 6% of their base salary towards purchasing common shares of Hydro One Limited. The Company matches 50% of their contributions, up to a maximum Company contribution of $25,000 per calendar year. Under the Society ESOP, the eligible Society-represented staff may contribute between 1% and 4% of their base salary towards purchasing common shares of Hydro One Limited. The Company matches 25% of their contributions, with no maximum Company contribution per calendar year. In 2017, Company contributions made under the ESOP were $2 million (2016 - $2 million).

LTIP

Effective August 31, 2015, the Board of Directors of Hydro One Limited adopted an LTIP. Under the LTIP, long-term incentives are granted to certain executive and management employees of Hydro One Limited and its subsidiaries, and all equity-based awards will be settled in newly issued shares of Hydro One Limited from treasury, consistent with the provisions of the plan. The aggregate number of shares issuable under the LTIP shall not exceed 11,900,000 shares of Hydro One Limited.

The LTIP provides flexibility to award a range of vehicles, including RSUs, PSUs, stock options, share appreciation rights, restricted shares, deferred share units and other share-based awards. The mix of vehicles is intended to vary by role to recognize the level of executive accountability for overall business performance.

During 2017 and 2016, Hydro One Limited granted awards under its LTIP as follows:

	PSUs		RSUs	
Year ended December 31 *(number of units)*	2017	2016	2017	2016
Units outstanding – beginning	228,890	—	252,440	—
Units granted	300,090	233,710	239,280	257,260
Units vested	(609)	—	(14,079)	—
Units forfeited	(103,251)	(4,820)	(89,501)	(4,820)
Units outstanding – ending	425,120	228,890	388,140	252,440

The grant date total fair value of the awards granted in 2017 was $13 million (2016 – $12 million). The compensation expense related to these awards recognized by the Company during 2017 was $6 million (2016 – $3 million).

25. NONCONTROLLING INTEREST

On December 16, 2014, transmission assets totalling $526 million were transferred from Hydro One Networks to B2M LP. This was financed by 60% debt ($316 million) and 40% equity ($210 million). On December 17, 2014, the Saugeen Ojibway Nation (SON) acquired a 34.2% equity interest in B2M LP for consideration of $72 million, representing the fair value of the equity interest acquired. The SON's initial investment in B2M LP consists of $50 million of Class A units and $22 million of Class B units.

The Class B units have a mandatory put option which requires that upon the occurrence of an enforcement event (i.e. an event of default such as a debt default by the SON or insolvency event), Hydro One purchase the Class B units of B2M LP for net book value on the redemption date. The noncontrolling interest relating to the Class B units is classified on the Consolidated Balance Sheet as temporary equity because the redemption feature is outside the control of the Company. The balance of the noncontrolling interest is classified within equity.

The following tables show the movements in noncontrolling interest during the years ended December 31, 2017 and 2016:

Year ended December 31, 2017 *(millions of dollars)*	Temporary Equity	Equity	Total
Noncontrolling interest – beginning	22	50	72
Distributions to noncontrolling interest	(2)	(4)	(6)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest – ending	22	50	72

Year ended December 31, 2016 *(millions of dollars)*	Temporary Equity	Equity	Total
Noncontrolling interest – beginning	23	52	75
Distributions to noncontrolling interest	(3)	(6)	(9)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest – ending	22	50	72

26. RELATED PARTY TRANSACTIONS

Hydro One is owned by Hydro One Limited. The Province is a shareholder of Hydro One Limited with approximately 47.4% ownership at December 31, 2017. The IESO, Ontario Power Generation Inc. (OPG), Ontario Electricity Financial Corporation (OEFC), the OEB, and Hydro One Telecom, are related parties to Hydro One because they are controlled or significantly influenced by the Province or by Hydro One Limited. Hydro One Brampton was a related party until February 28, 2017, when it was acquired from the Province by Alectra Inc., and subsequent to the acquisition by Alectra Inc., is no longer a related party to Hydro One.

Year ended December 31 *(millions of dollars)*

Related Party	Transaction	2017	2016
IESO	Power purchased	1,583	2,096
	Revenues for transmission services	1,521	1,549
	Amounts related to electricity rebates	357	—
	Distribution revenues related to rural rate protection	247	125
	Distribution revenues related to the supply of electricity to remote northern communities	32	32
	Funding received related to CDM programs	59	63
OPG	Power purchased	9	6
	Revenues related to provision of construction and equipment maintenance services	2	4
	Costs related to the purchase of services	1	1
OEFC	Power purchased from power contracts administered by the OEFC	2	1
OEB	OEB fees	8	11
Hydro One Brampton	Cost recovery from management, administrative and smart meter network services	—	3
Hydro One Limited	Return of stated capital	535	609
	Dividends paid	15	2
	Stock-based compensation costs	23	24
	Cost recovery for services provided	6	—
Hydro One Telecom	Services received – costs expensed	24	24
	Services received – costs capitalized	—	12
	Revenues for services provided	3	3
2587264 Ontario Inc.	Promissory note issued and repaid[1]	486	—
	Preferred shares issued[2]	486	—

[1] On October 17, 2017, Hydro One issued a promissory note to 2587264 Ontario Inc., a subsidiary of Hydro One Limited, totalling $486 million. On November 20, 2017, Hydro One repaid the $486 million promissory note to 2587264 Ontario Inc., as well as interest totalling $1 million.

[2] On November 20, 2017, Hydro One issued 485,870 Class B preferred shares to 2587264 Ontario Inc. for proceeds of $486 million. See Note 21 for details of the Class B preferred shares.

Sales to and purchases from related parties are based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are interest-free and settled in cash.

27. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 *(millions of dollars)*	2017	2016
Accounts receivable	191	(59)
Due from related parties	(215)	(40)
Materials and supplies	1	2
Prepaid expenses and other assets	2	(17)
Accounts payable	7	18
Accrued liabilities	(89)	52
Due to related parties	88	113
Accrued interest	(6)	9
Long-term accounts payable and other liabilities	(2)	6
Post-retirement and post-employment benefit liability	86	84
	63	168

Capital Expenditures

The following table reconciles investments in property, plant and equipment and the amounts presented in the Consolidated Statements of Cash Flows after accounting for capitalized depreciation and the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2017	2016
Capital investments in property, plant and equipment	(1,482)	(1,624)
Capitalized depreciation and net change in accruals included in capital investments in property, plant and equipment	26	30
Cash outflow for capital expenditures – property, plant and equipment	(1,456)	(1,594)

The following table reconciles investments in intangible assets and the amounts presented in the Consolidated Statements of Cash Flows after accounting for the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2017	2016
Capital investments in intangible assets	(74)	(67)
Net change in accruals included in capital investments in intangible assets	(6)	6
Cash outflow for capital expenditures – intangible assets	(80)	(61)

Capital Contributions

Hydro One enters into contracts governed by the OEB Transmission System Code when a transmission customer requests a new or upgraded transmission connection. The customer is required to make a capital contribution to Hydro One based on the shortfall between the present value of the costs of the connection facility and the present value of revenues. The present value of revenues is based on an estimate of load forecast for the period of the contract with Hydro One. Once the connection facility is commissioned, in accordance with the OEB Transmission System Code, Hydro One will periodically reassess the estimated of load forecast which will lead to a decrease, or an increase in the capital contributions from the customer. The increase or decrease in capital contributions is recorded directly to fixed assets in service. In 2017, capital contributions from these reassessments totalled $9 million (2016 – $21 million), which represents the difference between the revised load forecast of electricity transmitted compared to the load forecast in the original contract, subject to certain adjustments.

Supplementary Information

Year ended December 31 *(millions of dollars)*	2017	2016
Net interest paid	452	418
Income taxes paid	11	30

28. CONTINGENCIES

Legal Proceedings

Hydro One is involved in various lawsuits and claims 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 consolidated financial position, results of operations or cash flows.

Hydro One, Hydro One Networks, Hydro One Remote Communities, and Norfolk Power Distribution Inc. are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. The plaintiff's motion for certification was dismissed by the court on November 28, 2017, but the plaintiff has appealed the court's decision, and it is likely that no decision will be rendered by the appeal court until the second half of 2018. At this time, an estimate of a possible loss related to this claim cannot be made.

Transfer of Assets

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, the Company is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. The Company cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. In 2017, the Company paid approximately $2 million (2016 – $1 million) in respect of consents obtained. If the Company cannot obtain the required consents, the OEFC will continue to hold these assets for an indefinite period of time. If the Company cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. The costs relating to these assets could have a material adverse effect on the Company's results of operations if the Company is not able to recover them in future rate orders.

29. COMMITMENTS

The following table presents a summary of Hydro One's commitments under leases, outsourcing and other agreements due in the next 5 years and thereafter.

December 31, 2017 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing agreements	139	95	2	2	2	7
Long-term software/meter agreement	17	17	16	2	1	3
Operating lease commitments	10	5	9	4	1	4

Outsourcing Agreements

Hydro One has agreements with Inergi LP (Inergi) for the provision of back office and IT outsourcing services, including settlements, source to pay services, pay operations services, information technology and finance and accounting services, expiring on December 31, 2019, and for the provision of customer service operations outsourcing services expiring on February 28, 2018. Hydro One is currently in the process of insourcing the customer service operations services and will not be renewing the existing agreement for these services with Inergi. Agreements have been reached with The Society and the PWU to facilitate the insourcing of these services effective March 1, 2018.

Brookfield Global Integrated Solutions (formerly Brookfield Johnson Controls Canada LP) (Brookfield) provides services to Hydro One, including facilities management and execution of certain capital projects as deemed required by the Company. The agreement with Brookfield for these services expires in December 2024.

Long-term Software/Meter Agreement

Trilliant Holdings Inc. and Trilliant Networks (Canada) Inc. (collectively Trilliant) provide services to Hydro One for the supply, maintenance and support services for smart meters and related hardware and software, including additional software licences, as well as certain professional services. The agreement with Trilliant for these services expires in December 2025, but Hydro One has the option to renew for an additional term of five years at its sole discretion.

Operating Leases

Hydro One is committed as lessee to irrevocable operating lease contracts for buildings used in administrative and service-related functions and storing telecommunications equipment. These leases have typical terms of between three and five years, but several leases have lesser or greater terms to address special circumstances and/or opportunities. Renewal options, which are generally prevalent in most leases, have similar terms of three to five years. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions or pre-established rents. There are no restrictions placed upon Hydro One by entering into these leases. During the year ended December 31, 2017, the Company made lease payments totalling $10 million (2016 – $10 million).

Other Commitments

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next 5 years and thereafter.

December 31, 2017 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Credit facilities	—	—	—	—	2,300	—
Letters of credit[1]	177	—	—	—	—	—
Guarantees[2]	325	—	—	—	—	—

[1] Letters of credit consist of a $154 million letter of credit related to retirement compensation arrangements, a $16 million letter of credit provided to the IESO for prudential support, $6 million in letters of credit to satisfy debt service reserve requirements, and $1 million in letters of credit for various operating purposes.

[2] Guarantees consist of prudential support provided to the IESO by Hydro One on behalf of its subsidiaries.

<u>Prudential Support</u>

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees and/or letters of credit if these purchasers fail to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

<u>Retirement Compensation Arrangements</u>

Bank letters of credit have been issued to provide security for Hydro One's liability under the terms of a trust fund established pursuant to the supplementary pension plan for eligible employees of Hydro One. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure Hydro One's liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit.

30. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Segment, which comprises the transmission of high voltage electricity across the province, interconnecting more than 70 local distribution companies and certain large directly connected industrial customers throughout the Ontario electricity grid;
- The Distribution Segment, which comprises the delivery of electricity to end customers and certain other municipal electricity distributors; and
- Other Segment, which includes certain corporate activities.

The designation of segments has been based on a combination of regulatory status and the nature of the services provided. Operating segments of the Company are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance of each of the segments. The Company evaluates segment performance based on income before financing charges and income taxes from continuing operations (excluding certain allocated corporate governance costs).

Year ended December 31, 2017 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,581	4,366	—	5,947
Purchased power	—	2,875	—	2,875
Operation, maintenance and administration	391	599	24	1,014
Depreciation and amortization	420	390	—	810
Income (loss) before financing charges and income taxes	770	502	(24)	1,248
Capital investments	968	588	—	1,556

Year ended December 31, 2016 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,587	4,915	—	6,502
Purchased power	—	3,427	—	3,427
Operation, maintenance and administration	410	613	20	1,043
Depreciation and amortization	390	379	—	769
Income (loss) before financing charges and income taxes	787	496	(20)	1,263
Capital investments	988	703	—	1,691

Total Assets by Segment:

December 31 *(millions of dollars)*	2017	2016
Transmission	13,612	13,083
Distribution	9,279	9,393
Other	2,860	2,834
Total assets	25,751	25,310

Total Goodwill by Segment:

December 31 *(millions of dollars)*	2017	2016
Transmission *(Note 4)*	157	159
Distribution	168	168
Total goodwill	325	327

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada.

31. SUBSEQUENT EVENTS

Dividends and Return of Stated Capital

On February 12, 2018, preferred share dividends in the amount of $2 million and common share dividends in the amount of $5 million were declared. On the same date, a return of stated capital in the amount of $128 million was approved.

HYDRO ONE INC.
MANAGEMENT'S REPORT

The Consolidated Financial Statements, Management's Discussion and Analysis (MD&A) and related financial information have been prepared by the management of Hydro One Inc. (Hydro One or the Company). Management is responsible for the integrity, consistency and reliability of all such information presented. The Consolidated Financial Statements have been prepared in accordance with United States Generally Accepted Accounting Principles and applicable securities legislation. The MD&A has been prepared in accordance with National Instrument 51-102.

The preparation of the Consolidated Financial Statements and information in the MD&A involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 2 to the Consolidated Financial Statements. The preparation of the Consolidated Financial Statements and the MD&A includes information regarding the estimated impact of future events and transactions. The MD&A also includes information regarding sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The Consolidated Financial Statements and MD&A have been properly prepared within reasonable limits of materiality and in light of information up to February 9, 2017.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal control and internal audit. The system of internal control includes a written corporate conduct policy; implementation of a risk management framework; effective segregation of duties and delegation of authorities; and sound accounting policies that are regularly reviewed. This structure is designed to provide reasonable assurance that assets are safeguarded and that reliable information is available on a timely basis. In addition, management has assessed the design and operating effectiveness of the Company's internal control over financial reporting in accordance with the criteria set forth in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2016. The effectiveness of these internal controls is reported to the Audit Committee of the Hydro One Board of Directors, as required.

The Consolidated Financial Statements have been audited by KPMG LLP, independent external auditors appointed by the shareholder of the Company. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with United States Generally Accepted Accounting Principles. The Independent Auditors' Report outlines the scope of their examination and their opinion.

The Hydro One Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee of Hydro One met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit findings.

The President and Chief Executive Officer and the Chief Financial Officer have certified Hydro One's annual Consolidated Financial Statements and annual MD&A, related disclosure controls and procedures and the design and effectiveness of related internal controls over financial reporting.

On behalf of Hydro One's management:

Mayo Schmidt
President and Chief Executive Officer

Michael Vels
Chief Financial Officer

HYDRO ONE INC.
INDEPENDENT AUDITORS' REPORT

To the Shareholder of Hydro One Inc.

We have audited the accompanying Consolidated Financial Statements of Hydro One Inc., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, the consolidated statements of operations and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with United States Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of Consolidated 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 Consolidated 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 Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Consolidated 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 Consolidated 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 Consolidated 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.

Opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Hydro One Inc. as at December 31, 2016 and December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with United States Generally Accepted Accounting Principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 9, 2017

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015

Year ended December 31 *(millions of Canadian dollars, except per share amounts)*	2016	2015
Revenues		
Distribution (includes $160 related party revenues; 2015 – $159) *(Note 26)*	4,915	4,949
Transmission (includes $1,556 related party revenues; 2015 – $1,554) *(Note 26)*	1,587	1,536
Other	–	44
	6,502	6,529
Costs		
Purchased power (includes $2,103 related party costs; 2015 – $2,335) *(Note 26)*	3,427	3,450
Operation, maintenance and administration *(Note 26)*	1,043	1,130
Depreciation and amortization *(Note 5)*	769	757
	5,239	5,337
Income before financing charges and income taxes	1,263	1,192
Financing charges *(Note 6)*	392	376
Income before income taxes	871	816
Income taxes *(Notes 7, 26)*	135	114
Net income	**736**	**702**
Other comprehensive income	–	–
Comprehensive income	**736**	**702**
Net income and comprehensive income attributable to:		
Noncontrolling interest *(Note 25)*	6	10
Preferred shareholder	–	13
Common shareholder	730	679
	736	**702**
Earnings per common share *(Note 23)*		
Basic	$5,132	$6,340
Diluted	$5,132	$6,340
Dividends per common share declared *(Note 22)*	$14	$8,750

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS
At December 31, 2016 and 2015

December 31 *(millions of Canadian dollars)*	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	48	89
Accounts receivable *(Note 8)*	833	772
Due from related parties *(Note 26)*	224	184
Other current assets *(Note 9)*	97	100
	1,202	1,145
Property, plant and equipment *(Note 10)*	19,068	17,893
Other long-term assets:		
Regulatory assets *(Note 12)*	3,145	3,015
Deferred income tax assets *(Note 7)*	1,213	1,610
Intangible assets *(Note 11)*	349	336
Goodwill *(Note 4)*	327	163
Other assets	6	7
	5,040	5,131
Total assets	**25,310**	**24,169**
Liabilities		
Current liabilities:		
Short-term notes payable *(Note 15)*	469	1,491
Long-term debt payable within one year *(Note 15)*	602	500
Accounts payable and other current liabilities *(Note 13)*	933	858
Due to related parties *(Note 26)*	253	132
	2,257	2,981
Long-term liabilities:		
Long-term debt (includes $548 measured at fair value; 2015 – $51) *(Notes 15, 16)*	10,078	8,207
Regulatory liabilities *(Note 12)*	209	236
Deferred income tax liabilities *(Note 7)*	60	206
Other long-term liabilities *(Note 14)*	2,765	2,714
	13,112	11,363
Total liabilities	**15,369**	**14,344**
Contingencies and Commitments *(Notes 28, 29)*		
Subsequent Events *(Note 31)*		
Noncontrolling interest subject to redemption *(Note 25)*	22	23
Equity		
Common shares *(Notes 21, 22)*	5,391	6,000
Retained earnings	4,487	3,759
Accumulated other comprehensive loss	(9)	(9)
Hydro One shareholder's equity	9,869	9,750
Noncontrolling interest *(Note 25)*	50	52
Total equity	**9,919**	**9,802**
	25,310	**24,169**

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board of Directors:

David Denison
Chair

Philip Orsino
Chair, Audit Committee

hydroOne

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015

Year ended December 31, 2016 *(millions of Canadian dollars)*	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholder's Equity	Non-controlling Interest *(Note 25)*	Total Equity
January 1, 2016	6,000	3,759	(9)	9,750	52	9,802
Net income	–	730	–	730	4	734
Other comprehensive income	–	–	–	–	–	–
Distributions to noncontrolling interest	–	–	–	–	(6)	(6)
Dividends on common shares	–	(2)	–	(2)	–	(2)
Return of stated capital *(Note 21)*	(609)	–	–	(609)	–	(609)
December 31, 2016	**5,391**	**4,487**	**(9)**	**9,869**	**50**	**9,919**

Year ended December 31, 2015 *(millions of Canadian dollars)*	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholder's Equity	Non-controlling Interest *(Note 25)*	Total Equity
January 1, 2015	3,314	4,249	(9)	7,554	49	7,603
Net income	–	692	–	692	7	699
Other comprehensive income	–	–	–	–	–	–
Distributions to noncontrolling interest	–	–	–	–	(4)	(4)
Dividends on preferred shares	–	(13)	–	(13)	–	(13)
Dividends on common shares	–	(875)	–	(875)	–	(875)
Common shares issued *(Note 21)*	2,923	–	–	2,923	–	2,923
Hydro One Brampton spin-off *(Note 4)*	(196)	(258)	–	(454)	–	(454)
Hydro One Telecom and MBSI spin-offs *(Note 4)*	(41)	(36)	–	(77)	–	(77)
December 31, 2015	**6,000**	**3,759**	**(9)**	**9,750**	**52**	**9,802**

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

Year ended December 31 *(millions of Canadian dollars)*	2016	2015
Operating activities		
Net income	736	702
Environmental expenditures	(20)	(19)
Adjustments for non-cash items:		
Depreciation and amortization (excluding removal costs)	679	667
Regulatory assets and liabilities	(16)	(3)
Deferred income taxes *(Note 7)*	111	(2,817)
Other	10	24
Changes in non-cash balances related to operations *(Note 27)*	168	192
Net cash from (used in) operating activities	1,668	(1,254)
Financing activities		
Long-term debt issued	2,300	350
Long-term debt repaid	(502)	(585)
Short-term notes issued	3,031	2,891
Short-term notes repaid	(4,053)	(1,400)
Common shares issued	–	2,600
Return of stated capital	(609)	–
Dividends paid	(2)	(888)
Distributions paid to noncontrolling interest	(9)	(5)
Change in bank indebtedness	–	(2)
Other	(10)	(7)
Net cash from financing activities	146	2,954
Investing activities		
Capital expenditures *(Note 27)*		
Property, plant and equipment	(1,594)	(1,594)
Intangible assets	(61)	(37)
Capital contributions received *(Note 27)*	21	57
Acquisitions *(Note 4)*	(224)	(90)
Investment in Hydro One Brampton *(Note 4)*	–	(53)
Other	3	6
Net cash used in investing activities	(1,855)	(1,711)
Net change in cash and cash equivalents	(41)	(11)
Cash and cash equivalents, beginning of year	89	100
Cash and cash equivalents, end of year	**48**	**89**

See accompanying notes to Consolidated Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly owned by Hydro One Limited.

On October 31, 2015, Hydro One Limited, a subsidiary of the Province of Ontario (Province), acquired Hydro One. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

In November 2015, Hydro One Limited and the Province completed an initial public offering (IPO) on the Toronto Stock Exchange. See note 21 for further details regarding the reorganization of Hydro One.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles (GAAP) and in Canadian dollars.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made, with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, pension benefits, post-retirement and post-employment benefits, asset retirement obligations, goodwill and asset impairments, contingencies, unbilled revenues, allowance for doubtful accounts, derivative instruments, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.

Rate Setting

The Company's Transmission Business includes the transmission business of Hydro One Networks Inc. (Hydro One Networks), Hydro One Sault Ste. Marie LP (previously Great Lakes Power Transmission LP (Great Lakes Power)), and its 66% interest in B2M Limited Partnership (B2M LP). The Company's Distribution Business includes the distribution businesses of Hydro One Networks, as well as Hydro One Remote Communities Inc. (Hydro One Remote Communities).

<u>Transmission</u>

In November 2015, the OEB approved Hydro One Networks' 2016 transmission rates revenue requirement of $1,480 million.

In December 2015, the OEB approved B2M LP's 2015-2019 rates revenue requirements of $39 million, $36 million, $37 million, $38 million and $37 million for the respective years. On January 14, 2016, the OEB approved the B2M LP revenue requirement recovery through the 2016 Uniform Transmission Rates, and the establishment of a deferral account to capture costs of Tax Rate and Rule changes.

<u>Distribution</u>

In March 2015, the OEB approved Hydro One Networks' distribution revenue requirements of $1,326 million for 2015, $1,430 million for 2016 and $1,486 million for 2017. The OEB has subsequently approved updated revenue requirements of $1,410 million for 2016 and $1,415 million for 2017.

On March 17, 2016, the OEB approved an increase of 2.10% to Hydro One Remote Communities' basic rates for the distribution and generation of electricity, with an effective date of May 1, 2016.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets 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 liabilities that generally represent amounts that are refundable to future customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations in the period that the assessment is made.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.

Revenue Recognition

Transmission revenues are collected through OEB-approved rates, which are based on an approved revenue requirement that includes a rate of return. Such revenue is recognized as electricity is transmitted and delivered to customers.

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes.

Distribution revenue also includes an amount relating to rate protection for rural, residential, and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered.

Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company's best estimate of losses on billed accounts receivable balances. The Company estimates the allowance for doubtful accounts on billed accounts receivable by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the billed accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The allowance for doubtful accounts is affected by changes in volume, prices and economic conditions.

Noncontrolling interest

Noncontrolling interest represents the portion of equity ownership in subsidiaries that is not attributable to shareholders of Hydro One. Noncontrolling interest is initially recorded at fair value and subsequently the amount is adjusted for the proportionate share of net income and other comprehensive income attributable to the noncontrolling interest and any dividends or distributions paid to the noncontrolling interest.

If a transaction results in the acquisition of all, or part, of a noncontrolling interest in a subsidiary, the acquisition of the noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in consolidated net income or comprehensive income as a result of changes in the noncontrolling interest, unless a change results in the loss of control by the Company.

Income Taxes

Prior to the IPO of Hydro One Limited, Hydro One was exempt from tax under the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) (Federal Tax Regime). However, under the *Electricity Act*, Hydro One was required to make payments in lieu of tax (PILs) to the Ontario Electricity Financial Corporation (OEFC) (PILs Regime). The PILs were, in general, based on the amount of tax that Hydro One would otherwise be liable to pay under the Federal Tax Regime if it was not exempt from taxes under those statutes. In connection with the IPO of Hydro One Limited, Hydro One's exemption from tax under the

Federal Tax Regime ceased to apply. Upon exiting the PILs Regime, Hydro One is required to make corporate income tax payments to the Canada Revenue Agency (CRA) under the Federal Tax Regime.

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Consolidated Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Deferred income taxes are recognized based on the estimated future tax consequences attributable to temporary differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and their corresponding tax bases.

Deferred income tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized to the extent that it is more-likely-than-not that these assets will be realized from taxable income available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Consolidated Statements of Operations and Comprehensive Income.

If management determines that it is more-likely-than-not that some or all of a deferred income tax asset will not be realized, a valuation allowance is recorded against the deferred income tax asset to report the net balance at the amount expected to be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Company records regulatory assets and liabilities associated with deferred income taxes that will be included in the rate-setting process.

The Company uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Consolidated Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002*, as well as other land access rights.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized financing costs are a reduction of financing charges recognized in the Consolidated Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The last review resulted in changes to rates effective January 1, 2015. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average Service Life	Rate Range	Rate Average
Property, plant and equipment:			
Transmission	56 years	1% – 3%	2%
Distribution	46 years	1% – 7%	2%
Communication	16 years	1% – 15%	6%
Administration and service	18 years	1% – 20%	7%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Acquisitions and Goodwill

The Company accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair value at the date of acquisition. Goodwill represents the cost of acquired companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

For the year ended December 31, 2016, based on the qualitative assessment performed as at September 30, 2016, the Company has determined that it is not more-likely-than-not that the fair value of each applicable reporting unit assessed is less than its carrying amount. As a result, no further testing was performed, and the Company has concluded that goodwill was not impaired at December 31, 2016.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset’s carrying value is adjusted to its estimated fair value.

Within its regulated business, the carrying costs of most of Hydro One’s long-lived assets are included in rate base 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. As at December 31, 2016 and 2015, no asset impairment had been recorded.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers the external transaction costs related to obtaining debt financing and presents such amounts net of related debt on the Consolidated Balance Sheets. Deferred debt issuance costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Consolidated Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). Hydro One presents net income and OCI in a single continuous Consolidated Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 16 – Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

The Company closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Company may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. The Company offsets fair value amounts recognized on its Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Consolidated Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Consolidated Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Consolidated Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. The Company does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2016 or 2015.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. The Company also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Company's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

The Company recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration costs in the Consolidated Statements of Operations and Comprehensive Income.

Defined Benefit Pension

Defined benefit pension costs are recorded on an accrual basis for financial reporting purposes. Pension costs are actuarially determined using the projected benefit method prorated on service and are based on assumptions that reflect management's best estimate of the effect of future events, including future compensation increases. Past service costs from plan amendments and all actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees in the plan, and over the estimated remaining life expectancy of inactive employees in the plan. Pension plan assets, consisting primarily of listed equity securities as well as corporate and government debt securities, are fair valued at the end of each year. Hydro One records a regulatory asset equal to the net underfunded projected benefit obligation for its pension plan.

Post-retirement and Post-employment Benefits

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the associated regulatory liabilities representing actuarial gains on transition to US GAAP are amortized to results of operations based on the "corridor" approach. The actuarial gains and losses on post-employment obligations that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

Stock-Based Compensation

Share Grant Plans

Hydro One measures share grant plans based on fair value of share grants as estimated based on the grant date Hydro One Limited's share price. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Forfeitures are recognized as they occur (see note 3).

Directors' Deferred Share Unit (DSU) Plan

The Company records the liabilities associated with its Directors' DSU Plan at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on Hydro One Limited's common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures its LTIP at fair value based on the grant date share price of Hydro One Limited's common shares. The related compensation expense of Hydro One is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Hydro One is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Consolidated Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Consolidated Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One records a liability for the estimated future expenditures associated with contaminated land assessment and remediation and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's transmission and distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Company's asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities and with the decommissioning of specific switching stations located on unowned sites.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that are applicable to Hydro One:

Recently Adopted Accounting Guidance

ASU	Date issued	Description	Effective date	Impact on Hydro One
2014-16	November 2014	This update clarifies that all relevant terms and features should be considered in evaluating the nature of a host contract for hybrid financial instruments issued in the form of a share. The nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument.	January 1, 2016	No material impact upon adoption
2015-01	January 2015	Extraordinary items are no longer required to be presented separately in the income statement.	January 1, 2016	No material impact upon adoption
2015-02	February 2015	Guidance on analysis to be performed to determine whether certain types of legal entities should be consolidated.	January 1, 2016	No material impact upon adoption

2015-03	April 2015	Debt issuance costs are required to be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability consistent with debt discounts or premiums.	January 1, 2016	Reclassification of deferred debt issuance costs and net unamortized debt premiums as an offset to long-term debt. Applied retrospectively (see note 15).
2015-05	April 2015	Cloud computing arrangements that have been assessed to contain a software licence should be accounted for as internal-use software.	January 1, 2016	No material impact upon adoption
2015-16	September 2015	Adjustments to provisional amounts that are identified during the measurement period of a business combination in the reporting period in which the adjustment amount is determined are required to be recognized. The amount recorded in current period earnings are required to be presented separately on the face of the income statement or disclosed in the notes by line item.	January 1, 2016	No material impact upon adoption
2015-17	November 2015	All deferred tax assets and liabilities are required to be classified as noncurrent on the balance sheet.	January 1, 2017	This ASU was early adopted as of April 1, 2016 and was applied prospectively. As a result, the current portions of the Company's deferred income tax assets are reclassified as noncurrent assets on the consolidated Balance Sheet. Prior periods were not retrospectively adjusted (see note 7).
2016-09	March 2016	Several aspects of the accounting for share-based payment transactions were simplified, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows.	January 1, 2017	This ASU was early adopted as of October 1, 2016 and was applied retrospectively. As a result, the Company accounts for forfeitures as they occur. There were no other material impacts upon adoption.

Recently Issued Accounting Guidance Not Yet Adopted

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2014-09 2015-14 2016-08 2016-10 2016-12 2016-20	May 2014 – December 2016	ASU 2014-09 was issued in May 2014 and provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2015-14 deferred the effective date of ASU 2014-09 by one year. Additional ASUs were issued in 2016 that simplify transition and provide clarity on certain aspects of the new standard.	January 1, 2018	Hydro One has completed its initial assessment and has identified relevant revenue streams. No quantitative determination has been made as a detailed assessment is now underway and will continue through to the third quarter of 2017, with the end result being a determination of the financial impact of this standard. The Company is on track for implementation of this standard by the effective date.
2016-01	January 2016	This update requires equity investments to be measured at fair value with changes in fair value recognized in net income, and requires enhanced disclosures and presentation of financial assets and liabilities in the financial statements. This ASU also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.	January 1, 2018	Under assessment
2016-02	February 2016	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet.	January 1, 2019	An initial assessment is currently underway encompassing a review of all existing leases, which will be followed by a detailed review of relevant contracts. No quantitative determination has been made at this time. The Company is on track for implementation of this standard by the effective date.
2016-05	March 2016	The amendments clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met.	January 1, 2018	Under assessment

2016-06	March 2016	Contingent call (put) options that are assessed to accelerate the payment of principal on debt instruments need to meet the criteria of being “clearly and closely related” to their debt hosts.	January 1, 2017	No material impact
2016-07	March 2016	The requirement to retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence has been eliminated.	January 1, 2017	No material impact
2016-11	May 2016	This amendment covers the SEC Staff's rescinding of certain SEC Staff observer comments that are codified in Topic 605 and Topic 932, effective upon the adoption of Topic 606 and Topic 815, effective to coincide with the effective date of Update 2014-16.	January 1, 2019	No material impact
2016-13	June 2016	The amendment provides users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date.	January 1, 2019	Under assessment
2016-15	August 2016	The amendments provide guidance for eight specific cash flow issues with the objective of reducing the existing diversity in practice.	January 1, 2018	Under assessment
2016-16	October 2016	The amendment eliminates the prohibition of recognizing current and deferred income taxes for an intra-entity asset transfer, other than inventory, until the asset has been sold to an outside party. The amendment will permit income tax consequences of such transfers to be recognized when the transfer occurs.	January 1, 2018	Under assessment
2016-18	November 2016	The amendment requires that restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning and end-of-period balances in the statement of cash flows.	January 1, 2018	Under assessment
2017-01	January 2017	The amendment clarifies the definition of a business and provides additional guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.	January 1, 2018	Under assessment

4. BUSINESS COMBINATIONS

Acquisition of Great Lakes Power

On October 31, 2016, Hydro One acquired Great Lakes Power, an Ontario regulated electricity transmission business operating along the eastern shore of Lake Superior, north and east of Sault Ste. Marie, Ontario from Brookfield Infrastructure Holdings Inc. The total purchase price for Great Lakes Power was approximately $376 million, including the assumption of approximately $150 million in outstanding indebtedness. The following table summarizes the determination of the final fair value of the assets acquired and liabilities assumed:

(millions of dollars)	
Cash and cash equivalents	5
Property, plant and equipment	221
Intangible assets	1
Regulatory assets	50
Goodwill	159
Working capital	(2)
Long-term debt	(186)
Pension and post-employment benefit liabilities, net	(5)
Deferred income taxes	(17)
	226

Goodwill of approximately $159 million arising from the Great Lakes Power acquisition consists largely of the synergies and economies of scale expected from combining the operations of Hydro One and Great Lakes Power. Great Lakes Power contributed revenues of $6 million and less than $1 million of net income to the Company's consolidated financial results for the year ended December 31, 2016. All costs related to the acquisition have been expensed through the Consolidated Statements of Operations and Comprehensive Income. Great Lakes Power's financial information is not material to the Company's consolidated financial results for the year ended December 31, 2016 and therefore, has not been disclosed on a pro forma basis. On January 16, 2017, the name of Great Lakes Power was changed to Hydro One Sault Ste. Marie LP.

Agreement to Purchase Orillia Power

On August 15, 2016, the Company reached an agreement to acquire Orillia Power Distribution Corporation (Orillia Power), an electricity distribution company located in Simcoe County, Ontario, from the City of Orillia for approximately $41 million, including the assumption of approximately $15 million in outstanding indebtedness and regulatory liabilities, subject to closing adjustments. The acquisition is subject to regulatory approval by the OEB.

Acquisition of Woodstock Hydro

On October 31, 2015, Hydro One acquired Woodstock Hydro Holdings Inc. (Woodstock Hydro), an electricity distribution company located in southwestern Ontario. The total purchase price for Woodstock Hydro was approximately $32 million. The purchase price was finalized and the Company made the final purchase price payment of $3 million in 2016. The following table summarizes the determination of the fair value of the assets acquired and liabilities assumed:

(millions of dollars)	
Working capital	4
Property, plant and equipment	27
Intangible assets	1
Deferred income tax assets	2
Goodwill	22
Long-term debt	(17)
Derivative instruments	(3)
Post-retirement and post-employment benefit liability	(1)
Regulatory liabilities	(1)
Other long-term liabilities	(2)
	32

Goodwill of approximately $22 million arising from the Woodstock Hydro acquisition consists largely of the synergies and economies of scale expected from combining the operations of Hydro One and Woodstock Hydro. All of the goodwill was assigned to Hydro One's Distribution Business segment. Woodstock Hydro contributed revenues of $12 million and net income of $2 million to the Company's consolidated financial results for the year ended December 31, 2015. All costs related to the acquisition have been expensed through the Consolidated Statements of Operations and Comprehensive Income. Woodstock Hydro's financial information is not material to the Company's consolidated financial results for the year ended December 31, 2015 and therefore, has not been disclosed on a pro forma basis.

Acquisition of Haldimand Hydro

On June 30, 2015, Hydro One acquired Haldimand County Utilities Inc. (Haldimand Hydro), an electricity distribution company located in southwestern Ontario. The total purchase price for Haldimand Hydro was approximately $73 million. The purchase price was finalized in 2016. The following table summarizes the determination of the fair value of the assets acquired and liabilities assumed:

(millions of dollars)	
Cash and cash equivalents	3
Working capital	5
Property, plant and equipment	52
Deferred income tax assets	1
Goodwill	33
Long-term debt	(18)
Regulatory liabilities	(3)
	73

Goodwill of approximately $33 million arising from the Haldimand Hydro acquisition consists largely of the synergies and economies of scale expected from combining the operations of Hydro One and Haldimand Hydro. All of the goodwill was assigned to Hydro One's Distribution Business segment. Haldimand Hydro contributed revenues of $32 million and net income of $6 million to the Company's consolidated financial results for the year ended December 31, 2015. All costs related to the acquisition have been expensed through the Consolidated Statements of Operations and Comprehensive Income. Haldimand Hydro's financial information is not material to the Company's consolidated financial results for the year ended December 31, 2015 and therefore, has not been disclosed on a pro forma basis.

Hydro One Brampton Spin-off

On August 31, 2015, Hydro One completed the spin-off of its subsidiary, Hydro One Brampton. The spin-off was accounted as a non-monetary, nonreciprocal transfer with the Province, based on its carrying values at August 31, 2015. Transactions that immediately preceded the spin-off as well as the spin-off were as follows:

- Hydro One subscribed for 357 common shares of Hydro One Brampton for an aggregate subscription price of $53 million; and
- Hydro One transferred to a company wholly owned by the Province all the issued and outstanding shares of Hydro One Brampton as a dividend-in-kind; and all of the long-term intercompany debt in aggregate principal amount of $193 million plus accrued interest of $3 million owed by Hydro One Brampton to Hydro One as a return of stated capital of $196 million on its common shares.

As a result of the spin-off, goodwill related to Hydro One Brampton of $60 million was eliminated from the Consolidated Balance Sheet.

Other

On November 6, 2015, Hydro One completed the spin-off of its subsidiary, Hydro One Telecom. The spin-off was accounted as a non-monetary, nonreciprocal transfer with Hydro One Limited, based on its carrying values at November 6, 2015. Hydro One transferred to Hydro One Limited all the issued and outstanding shares of Hydro One Telecom totalling $17 million, and all of the intercompany debt receivable held by Hydro One due from Hydro One Telecom and Hydro One Telecom Link Limited totalling $21 million, as a return of stated capital of $38 million on its common shares.

On November 6, 2015, Hydro One completed the spin-off of its subsidiary, Municipal Billing Services Inc. (MBSI). The spin-off was accounted as a non-monetary, nonreciprocal transfer with Hydro One Limited, based on its carrying values at November 6, 2015. Hydro One transferred to Hydro One Limited all the issued and outstanding shares of MBSI and all of the intercompany debt receivable held by Hydro One due from MBSI, as a return of stated capital of $3 million on its common shares.

5. DEPRECIATION AND AMORTIZATION

Year ended December 31 *(millions of dollars)*	2016	2015
Depreciation of property, plant and equipment	603	594
Asset removal costs	90	90
Amortization of intangible assets	56	54
Amortization of regulatory assets	20	19
	769	757

6. FINANCING CHARGES

Year ended December 31 *(millions of dollars)*	2016	2015
Interest on long-term debt	424	417
Interest on short-term notes	9	2
Other	15	14
Less: Interest capitalized on construction and development in progress	(54)	(52)
Interest earned on investments	(2)	(3)
Gain on interest-rate swap agreements	–	(2)
	392	376

7. INCOME TAXES

Income taxes / provision for PILs 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 the effective tax rates is provided as follows:

Year ended December 31 *(millions of dollars)*	2016	2015
Income taxes / provision for PILs at statutory rate	231	216
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(53)	(37)
Pension contributions in excess of pension expense	(16)	(25)
Overheads capitalized for accounting but deducted for tax purposes	(16)	(15)
Interest capitalized for accounting but deducted for tax purposes	(14)	(13)
Environmental expenditures	(5)	(5)
Other	5	(6)
Net temporary differences	(99)	(101)
Net tax benefit resulting from transition from PILs Regime to Federal Tax Regime	–	(9)
Hydro One Brampton spin-off	–	7
Net permanent differences	3	1
Total income taxes / provision for PILs	135	114

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	2016	2015
Current income taxes / provision for PILs	24	2,931
Deferred income taxes / provision for (recovery of) PILs	111	(2,817)
Total income taxes / provision for PILs	135	114
Effective income tax rate	15.5%	14.0%

The provision for current income taxes / PILs is remitted to the CRA (Federal Tax Regime) and the OEFC (PILs Regime). At December 31, 2016, $13 million (2015 – $1 million) receivable from the CRA was included in other current assets and $6 million (2015 – $12 million) receivable from the OEFC was included in due from related parties on the Consolidated Balance Sheet.

In connection with Hydro One Limited's IPO in 2015, Hydro One's exemption from tax under the Federal Tax Regime ceased to apply. Under the PILs Regime, Hydro One was deemed to have disposed of its assets immediately before it lost its tax exempt status under the Federal Tax Regime, resulting in Hydro One making payments in lieu of tax (Departure Tax) totalling $2.6 billion. To enable Hydro One to make the Departure Tax payment, Hydro One Limited subscribed for common shares of Hydro One for $2.6 billion in 2015 (see note 21). Hydro One used the proceeds of this share subscription to pay the Departure Tax.

The 2015 total income taxes / provision for PILs included a current provision of $2,600 million and a deferred recovery of $2,798 million resulting from the transition from the PILs Regime to the Federal Tax Regime. The deferred recovery was not included in the rate-setting process. Deferred income tax balances expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities arise from differences between the carrying amounts and tax basis of the Company's assets and liabilities. At December 31, 2016 and 2015, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	2016	2015
Deferred income tax assets		
Depreciation and amortization in excess of capital cost allowance	477	918
Non-depreciable capital property	271	271
Post-retirement and post-employment benefits expense in excess of cash payments	603	572
Environmental expenditures	74	75
Non-capital losses	213	62
Investment in subsidiaries	75	55
Other	30	2
	1,743	1,955
Less: valuation allowance	(352)	(326)
Total deferred income tax assets	1,391	1,629
Less: current portion	–	19
	1,391	1,610

December 31 *(millions of dollars)*	2016	2015
Deferred income tax liabilities		
Regulatory amounts that are not recognized for tax purposes	(153)	(153)
Goodwill	(10)	(10)
Capital cost allowance in excess of depreciation and amortization	(64)	(42)
Other	(11)	(1)
Total deferred income tax liabilities	(238)	(206)
Less: current portion	–	–
	(238)	(206)
Net deferred income tax assets	1,153	1,423

The net deferred income tax assets are presented on the Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	2016	2015
Current:		
Other current assets	–	19
Long-term:		
Deferred income tax assets	1,213	1,610
Deferred income tax liabilities	(60)	(206)
Net deferred income tax assets	1,153	1,423

The valuation allowance for deferred tax assets as at December 31, 2016 was $352 million (2015 - $326 million). The valuation allowance primarily relates to temporary differences for non-depreciable assets and investments in subsidiaries. As of December 31, 2016, the Company had non-capital losses carried forward available to reduce future years' taxable income, which expire as follows:

Year of expiry *(millions of dollars)*	2016	2015
2034	2	2
2035	221	232
2036	579	–
Total losses	802	234

8. ACCOUNTS RECEIVABLE

December 31 *(millions of dollars)*	2016	2015
Accounts receivable – billed	427	374
Accounts receivable – unbilled	441	459
Accounts receivable, gross	868	833
Allowance for doubtful accounts	(35)	(61)
Accounts receivable, net	833	772

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2016 and 2015:

Year ended December 31 *(millions of dollars)*	2016	2015
Allowance for doubtful accounts – January 1	(61)	(66)
Write-offs	37	37
Additions to allowance for doubtful accounts	(11)	(32)
Allowance for doubtful accounts – December 31	(35)	(61)

9. OTHER CURRENT ASSETS

December 31 *(millions of dollars)*	2016	2015
Regulatory assets *(Note 12)*	37	36
Materials and supplies	19	21
Deferred income tax assets *(Notes 3, 7)*	–	19
Prepaid expenses and other assets	41	24
	97	100

10. PROPERTY, PLANT AND EQUIPMENT

December 31, 2016 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	14,692	4,862	910	10,740
Distribution	9,656	3,305	243	6,594
Communication	1,069	674	9	404
Administration and service	1,632	924	61	769
Easements	628	67	–	561
	27,677	9,832	1,223	19,068

December 31, 2015 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	13,704	4,621	853	9,936
Distribution	9,205	3,177	238	6,266
Communication	1,006	609	18	415
Administration and service	1,531	848	35	718
Easements	622	64	–	558
	26,068	9,319	1,144	17,893

Financing charges capitalized on property, plant and equipment under construction were $52 million in 2016 (2015 – $50 million).

11. INTANGIBLE ASSETS

December 31, 2016 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	621	326	53	348
Other	5	4	–	1
	626	330	53	349

December 31, 2015 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	579	270	24	333
Other	7	4	–	3
	586	274	24	336

Financing charges capitalized to intangible assets under development were $2 million in 2016 (2015 – $1 million). The estimated annual amortization expense for intangible assets is as follows: 2017 – $54 million; 2018 – $54 million; 2019 – $45 million; 2020 – $27 million; and 2021 – $26 million.

12. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. Hydro One has recorded the following regulatory assets and liabilities:

December 31 *(millions of dollars)*	2016	2015
Regulatory assets:		
Deferred income tax regulatory asset	1,587	1,445
Pension benefit regulatory asset	900	952
Post-retirement and post-employment benefits	243	240
Environmental	204	207
Retail settlement variance account	145	110
Debt premium	32	–
Share-based compensation	31	10
Distribution system code exemption	10	10
2015-2017 rate rider	7	20
B2M LP start-up costs	5	8
Pension cost variance	4	37
Other	14	12
Total regulatory assets	3,182	3,051
Less: current portion	37	36
	3,145	3,015
Regulatory liabilities:		
Green Energy expenditure variance	69	76
External revenue variance	64	87
CDM deferral variance	54	53
Deferred income tax regulatory liability	4	23
Other	18	16
Total regulatory liabilities	209	255
Less: current portion	–	19
	209	236

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The Company has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Company's income tax expense would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2016 income tax expense would have been higher by approximately $104 million (2015 – $101 million).

Pension Benefit Regulatory Asset

In accordance with OEB rate orders, pension costs are recovered on a cash basis as employer contributions are paid to the pension fund in accordance with the *Pension Benefits Act* (Ontario). The Company recognizes the net unfunded status of pension obligations on the Consolidated Balance Sheets with an offset to the associated regulatory asset. A regulatory asset is recognized because management considers it to be probable that pension benefit costs will be recovered in the future through the rate-setting process. The pension benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2016 OCI would have been higher by $52 million (2015 – $284 million).

Post-Retirement and Post-Employment Benefits

The Company recognizes the net unfunded status of post-retirement and post-employment obligations on the Consolidated Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the re-measurement adjustment. In the absence of rate-regulated accounting, 2016 OCI would have been lower by $3 million (2015 – higher by $33 million).

Environmental

Hydro One records a liability for the estimated future expenditures required to remediate environmental contamination. Because such expenditures are expected to be recoverable in future rates, the Company has recorded an equivalent amount as a regulatory asset. In 2016, the environmental regulatory asset decreased by $1 million (2015 – $24 million) to reflect related changes in the Company's PCB liability, and increased by $10 million (2015 – $1 million) due to changes in the land assessment and remediation liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of Hydro One's actual environmental expenditures. In the absence of rate-regulated accounting, 2016 operation, maintenance and administration expenses would have been higher by $9 million (2015 – lower by $23 million). In addition, 2016 amortization expense would have been lower by $20 million (2015 – $19 million), and 2016 financing charges would have been higher by $8 million (2015 – $10 million).

Retail Settlement Variance Account (RSVA)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In March 2015, the OEB approved the disposition of the total RSVA balance accumulated from January 2012 to December 2013, including accrued interest, to be recovered through the 2015-2017 Rate Rider.

Debt Premium

The value of debt assumed in the acquisition of Great Lakes Power has been recorded at fair value in accordance with US GAAP – Business Combinations. The OEB allows for recovery of interest at the coupon rate of the Senior Secured Bonds and a regulatory asset has been recorded for the difference between the fair value and face value of this debt. The debt premium is recovered over the remaining term of the debt (see note 15).

Share-based Compensation

The Company recognizes costs associated with share grant plans in a regulatory asset as management considers it probable that share grant plans costs will be recovered in the future through the rate-setting process. In the absence of rate-regulated accounting, 2016 operation, maintenance and administration expenses would have been higher by $9 million (2015 – $5 million).

Distribution System Code (DSC) Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the DSC, with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that identified specific expenditures can be recorded in a deferral account subject to the OEB's review in subsequent Hydro One Network distribution applications. In March 2015, the OEB approved the disposition of the DSC exemption deferral account at December 31, 2013, including accrued interest, which is being recovered through the 2015-2017 Rate Rider. In addition, the OEB also approved Hydro One's request to discontinue this deferral account. There were no additions to this regulatory account in 2015 or 2016.

2015-2017 Rate Rider

In March 2015, as part of its decision on Hydro One Networks' distribution rate application for 2015-2019, the OEB approved the disposition of certain deferral and variance accounts, including RSVAs and accrued interest. The 2015-2017 Rate Rider account includes the balances approved for disposition by the OEB and is being disposed in accordance with the OEB decision over a 32-month period ending on December 31, 2017.

B2M LP Start-up Costs

In December 2015, OEB issued its decision on B2M LP's application for 2015-2019 and as part of the decision approved the recovery of $8 million of start-up costs relating to B2M LP. The costs are being recovered over a four-year period which began in 2016, in accordance with the OEB decision.

Pension Cost Variance

A pension cost variance account was established for Hydro One Networks' transmission and distribution businesses to track the difference between the actual pension expenses incurred and estimated pension costs approved by the OEB. The balance in this regulatory account reflects the excess of pension costs paid as compared to OEB-approved amounts. In March 2015, the OEB approved the disposition of the distribution business portion of the total pension cost variance account at December 31, 2013, including accrued interest, which is being recovered through the 2015-2017 Rate Rider. In the absence of rate-regulated accounting, 2016 revenue would have been higher by $25 million (2015 – lower by $6 million).

Green Energy Expenditure Variance

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

External Revenue Variance

In May 2009, the OEB approved forecasted amounts related to export service revenue, external revenue from secondary land use, and external revenue from station maintenance and engineering and construction work. In November 2012, the OEB again approved forecasted amounts related to these revenue categories and extended the scope to encompass all other external revenues. The external revenue variance account balance reflects the excess of actual external revenues compared to the OEB-approved forecasted amounts.

CDM Deferral Variance Account

As part of Hydro One Networks' application for 2013 and 2014 transmission rates, Hydro One agreed to establish a new regulatory deferral variance account to track the impact of actual Conservation and Demand Management (CDM) and demand response results on the load forecast compared to the estimated load forecast included in the revenue requirement. The balance in the CDM deferral variance account relates to the actual 2013 and 2014 CDM compared to the amounts included in 2013 and 2014 revenue requirements, respectively. There were no additions to this regulatory account in 2016.

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

December 31 *(millions of dollars)*	2016	2015
Accounts payable	177	152
Accrued liabilities	651	591
Accrued interest	105	96
Regulatory liabilities *(Note 12)*	–	19
	933	858

14. OTHER LONG-TERM LIABILITIES

December 31 *(millions of dollars)*	2016	2015
Post-retirement and post-employment benefit liability *(Note 18)*	1,628	1,541
Pension benefit liability *(Note 18)*	900	952
Environmental liabilities *(Note 19)*	177	185
Due to related parties *(Note 26)*	26	10
Asset retirement obligations *(Note 20)*	9	9
Long-term accounts payable and other liabilities	25	17
	2,765	2,714

15. DEBT AND CREDIT AGREEMENTS

Short-Term Notes and Credit Facilities

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under its Commercial Paper Program which has a maximum authorized amount of $1.5 billion. These short-term notes are denominated in Canadian dollars with varying maturities up to 365 days. The Commercial Paper Program is supported by the Company's committed revolving credit facilities totalling $2.3 billion.

On August 15, 2016, Hydro One terminated its $1.5 billion revolving standby credit facility maturing in June 2020 and its $800 million three-year senior, revolving term credit facility maturing in October 2018 (collectively, Prior Credit Facilities). On the same date, Hydro One entered into a new credit agreement for a $2.3 billion revolving credit facility maturing in June 2021 (New Credit Facility). The New Credit Facility ranks equally with any existing and future senior debt of Hydro One, and has customary covenants substantially similar to the covenants under the Prior Credit Facilities.

The Company may use the credit facilities for working capital and general corporate purposes. If used, interest on the credit facilities would apply based on Canadian benchmark rates. The obligation of each lender to make any credit extension under its credit facility is subject to various conditions including that no event of default has occurred or would result from such credit extension.

Long-Term Debt

At December 31, 2016, $10,523 million long-term debt was issued by the Company under its Medium-Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under the current MTN Program prospectus filed in December 2015 is $3.5 billion. At December 31, 2016, $1.2 billion remained available for issuance until January 2018. In addition, at December 31, 2016, the Company had long-term debt of $184 million assumed as part of the Great Lakes Power acquisition.

The following table presents outstanding long-term debt at December 31, 2016 and 2015:

December 31 *(millions of dollars)*	2016	2015
4.64% Series 10 notes due 2016	–	450
Floating-rate Series 27 notes due 2016[1]	–	50
5.18% Series 13 notes due 2017	600	600
2.78% Series 28 notes due 2018	750	750
Floating-rate Series 31 notes due 2019[1]	228	228
1.48% Series 37 notes due 2019[2]	500	–
4.40% Series 20 notes due 2020	300	300
1.62% Series 33 notes due 2020[2]	350	350
1.84% Series 34 notes due 2021	500	–
3.20% Series 25 notes due 2022	600	600
2.77% Series 35 notes due 2026	500	–
7.35% Debentures due 2030	400	400
6.93% Series 2 notes due 2032	500	500
6.35% Series 4 notes due 2034	385	385
5.36% Series 9 notes due 2036	600	600
4.89% Series 12 notes due 2037	400	400
6.03% Series 17 notes due 2039	300	300
5.49% Series 18 notes due 2040	500	500
4.39% Series 23 notes due 2041	300	300
6.59% Series 5 notes due 2043	315	315
4.59% Series 29 notes due 2043	435	435
4.17% Series 32 notes due 2044	350	350
5.00% Series 11 notes due 2046	325	325
3.91% Series 36 notes due 2046	350	–
3.72% Series 38 notes due 2047	450	–
4.00% Series 24 notes due 2051	225	225
3.79% Series 26 notes due 2062	310	310
4.29% Series 30 notes due 2064	50	50
Hydro One Inc. long-term debt	10,523	8,723
6.6% Senior Secured Bonds due 2023 (Face value – $112 million)	144	–
4.6% Note Payable due 2023 (Face value – $36 million)	40	–
Great Lakes Power long-term debt	184	–
	10,707	8,723
Add: Net unamortized debt premiums[3]	15	17
Add: Unrealized mark-to-market loss (gain)[2]	(2)	1
Less: Deferred debt issuance costs[3]	(40)	(34)
Total long-term debt	10,680	8,707

[1] The interest rates of the floating-rate notes are referenced to the 3-month Canadian dollar bankers' acceptance rate, plus a margin.

[2] The unrealized mark-to-market net gain relates to $50 million of the Series 33 notes due 2020 and $500 million Series 37 notes due 2019 (2015 – loss relates to $50 million of the Series 33 notes due 2020). The unrealized mark-to-market net gain is offset by a $2 million (2015 – $1 million) unrealized mark-to-market net loss (2015 – gain) on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges. See note 16 – Fair Value of Financial Instruments and Risk Management for details of fair value hedges.

[3] Effective January 1, 2016, deferred debt issuance costs and net unamortized debt premiums were reclassified from other long-term assets and other long-term liabilities, respectively, as an offset to long-term debt upon adoption of ASU 2015-03 (see note 3). Balances as at December 31, 2015 were updated to reflect the retrospective adoption of ASU 2015-03.

The total long-term debt is presented on the consolidated balance sheets as follows:

December 31 *(millions of dollars)*	2016	2015
Current liabilities:		
Long-term debt payable within one year	602	500
Long-term liabilities:		
Long-term debt	10,078	8,207
Total long-term debt	10,680	8,707

In 2016, Hydro One issued $2,300 million (2015 – $350 million) of long-term debt under the MTN Program, and repaid $502 million (2015 – $550 million) of total long-term debt.

Principal repayments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

Years to Maturity	Long-term Debt Principal Repayments *(millions of dollars)*	Weighted Average Interest Rate *(%)*
1 year	602	5.2
2 years	753	2.8
3 years	731	1.4
4 years	653	2.9
5 years	503	1.9
	3,242	2.8
6 – 10 years	1,234	3.3
Over 10 years	6,195	5.2
	10,671	4.3

Interest payment obligations related to long-term debt are summarized by year in the following table:

Year	Interest Payments *(millions of dollars)*
2017	456
2018	425
2019	402
2020	384
2021	370
	2,037
2022-2026	1,703
2027+	4,405
	8,145

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest-rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2016 and 2015, the Company's carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, short-term notes payable, accounts payable, and due to related parties are representative of fair value because of the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Company's long-term debt at December 31, 2016 and 2015 are as follows:

December 31 *(millions of dollars)*	2016 Carrying Value	2016 Fair Value	2015 Carrying Value	2015 Fair Value
Long-term debt				
$50 million of MTN Series 33 notes	50	50	51	51
$500 million of MTN Series 37 notes	498	498	–	–
Other notes and debentures	10,132	11,462	8,656	9,942
	10,680	12,010	8,707	9,993

Fair Value Measurements of Derivative Instruments

At December 31, 2016, Hydro One had interest-rate swaps in the amount of $550 million (2015 – $50 million) that was used to convert fixed-rate debt to floating-rate debt. These swaps are classified as a fair value hedges. Hydro One's fair value hedge exposure was equal to about 5% (2015 – 1%) of its total long-term debt. At December 31, 2016, Hydro One had the following interest-rate swaps designated as fair value hedges:

- a $50 million fixed-to-floating interest-rate swap agreement to convert $50 million of the $350 million MTN Series 33 notes maturing April 30, 2020 into three-month variable rate debt; and
- two $125 million and one $250 million fixed-to-floating interest-rate swap agreements to convert the $500 million MTN Series 37 notes maturing November 18, 2019 into three-month variable rate debt.

At December 31, 2016 and 2015, the Company had no interest-rate swaps classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	48	48	48	–	–
	48	48	48	–	–
Liabilities:					
Short-term notes payable	469	469	469	–	–
Long-term debt, including current portion	10,680	12,010	–	12,010	–
Derivative instruments					
Fair value hedges – interest-rate swaps	2	2	2	–	–
	11,151	12,481	471	12,010	–

December 31, 2015 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	89	89	89	–	–
Derivative instruments					
Fair value hedge – interest-rate swap	1	1	1	–	–
	90	90	90	–	–
Liabilities:					
Short-term notes payable	1,491	1,491	1,491	–	–
Long-term debt, including current portion	8,707	9,993	–	9,993	–
	10,198	11,484	1,491	9,993	–

Cash and cash equivalents include cash and short-term investments. The carrying values are representative of fair value because of the short-term nature of these instruments.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no significant transfers between any of the fair value levels during the years ended December 31, 2016 and 2015.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in costs, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates as its regulated return on equity is derived using a formulaic approach that takes into account anticipated interest rates. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments to lock in interest-rate levels in anticipation of future financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's net income for the years ended December 31, 2016 or 2015.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2016 and 2015 was not significant.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2016 and 2015, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a significant amount of revenue from any single customer. At December 31, 2016 and 2015, there was no significant accounts receivable balance due from any single customer.

At December 31, 2016, the Company's provision for bad debts was $35 million (2015 – $61 million). Adjustments and write-offs were determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2016, approximately 6% (2015 – 6%) of the Company's net accounts receivable were aged more than 60 days.

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highly rated counterparties; limiting total exposure levels with individual counterparties; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties both on an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the Consolidated Balance Sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At December 31, 2016 and 2015, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not significant. At December 31, 2016, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the counterparty.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its short-term liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, and the revolving standby credit facilities. The short-term liquidity under the Commercial Paper Program, revolving standby credit facilities, and anticipated levels of funds from operations are expected to be sufficient to fund normal operating requirements.

At December 31, 2016, accounts payable and accrued liabilities in the amount of $828 million (2015 – $743 million) were expected to be settled in cash at their carrying amounts within the next 12 months.

17. CAPITAL MANAGEMENT

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 appropriate financial returns. In order to ensure ongoing access to capital, the Company targets to maintain strong credit quality. At December 31, 2016 and 2015, the Company's capital structure was as follows:

December 31 *(millions of dollars)*	2016	2015
Long-term debt payable within one year	602	500
Short-term notes payable	469	1,491
Less: cash and cash equivalents	48	89
	1,023	1,902
Long-term debt	10,078	8,207
Common shares	5,391	6,000
Retained earnings	4,487	3,759
Total capital	20,979	19,868

Hydro One and Great Lakes Power have customary covenants typically associated with long-term debt. Hydro One's long-term debt and credit facility covenants limit permissible debt to 75% of its total capitalization, limit the ability to sell assets and impose a negative pledge provision, subject to customary exceptions. At December 31, 2016, Hydro One and Great Lakes Power were in compliance with all covenants and limitations.

18. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan (Pension Plan), a defined contribution pension plan (DC Plan), a supplementary pension plan, and post-retirement and post-employment benefit plans.

Defined Contribution Pension Plan

Hydro One established a DC Plan effective January 1, 2016. The DC Plan is mandatory and covers eligible management employees hired on or after January 1, 2016, as well as management employees hired before January 1, 2016 who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. Members of the DC Plan have an option to contribute 4%, 5% or 6% of their pensionable earnings, with matching contributions by Hydro One.

Hydro One contributions to the DC Plan for the year ended December 31, 2016 were less than $1 million (2015 – $nil). At December 31, 2016, Company contributions payable included in accrued liabilities on the Consolidated Balance Sheets were less than $1 million (2015 – $nil).

Defined Benefit Pension Plan, Supplementary Pension Plan, and Post-Retirement and Post-Employment Plans

The Pension Plan is a defined benefit contributory plan which covers all regular employees of Hydro One and its subsidiaries. The Pension Plan provides benefits based on highest three-year average pensionable earnings. For Management employees who commenced employment on or after January 1, 2004, and for Society of Energy Professionals-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation. Membership in the Pension Plan was closed to Management employees who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. These employees are eligible to join the DC Plan.

Company and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Annual Pension Plan contributions for 2016 of $108 million (2015 – $177 million) were based on an actuarial valuation effective December 31, 2015 (2015 – based on an actuarial valuation effective December 31, 2013) and the level of pensionable earnings. Estimated annual Pension Plan contributions for 2017 and 2018 are approximately $105 million and $102 million, respectively, based on the actuarial valuation as at December 31, 2015 and projected levels of pensionable earnings. Future minimum contributions beyond 2018 will be based on an actuarial valuation effective no later than December 31, 2018. Contributions are payable one month in arrears. All of the contributions are expected to be in the form of cash.

The Hydro One Supplemental Pension Plan (Supplemental Plan) provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan but for limitations imposed by the *Income Tax Act* (Canada). The Supplemental Plan obligation is included with other post-retirement and post-employment benefit obligations on the Consolidated Balance Sheets.

Hydro One recognizes the overfunded or underfunded status of the Pension Plan, and post-retirement and post-employment benefit plans (Plans) as an asset or liability on its Consolidated Balance Sheets, with offsetting regulatory assets and liabilities as appropriate. The underfunded benefit obligations for the Plans, in the absence of regulatory accounting, would be recognized in AOCI. The impact of changes in assumptions used to measure pension, post-retirement and post-employment benefit obligations is generally recognized over the expected average remaining service period of the employees. The measurement date for the Plans is December 31.

Year ended December 31 *(millions of dollars)*	Pension Benefits 2016	Pension Benefits 2015	Post-Retirement and Post-Employment Benefits 2016	Post-Retirement and Post-Employment Benefits 2015
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	7,683	7,535	1,591	1,582
Current service cost	144	146	41	43
Employee contributions	45	40	–	–
Interest cost	308	302	66	64
Benefits paid	(354)	(334)	(43)	(47)
Net actuarial loss (gain)	(52)	(6)	14	(27)
Change due to Hydro One Brampton spin-off	–	–	–	(5)
Change due to Hydro One Telecom spin-off	–	–	–	(19)
Change due to employees transfer	–	–	7	–
Projected benefit obligation, end of year	7,774	7,683	1,676	1,591
Change in plan assets				
Fair value of plan assets, beginning of year	6,731	6,299	–	–
Actual return on plan assets	370	582	–	–
Benefits paid	(354)	(334)	(43)	(47)
Employer contributions	108	177	43	47
Employee contributions	45	40	–	–
Administrative expenses	(26)	(33)	–	–
Fair value of plan assets, end of year	6,874	6,731	–	–
Unfunded status	900	952	1,676	1,591

Hydro One presents its benefit obligations and plan assets net on its Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	Pension Benefits 2016	Pension Benefits 2015	Post-Retirement and Post-Employment Benefits 2016	Post-Retirement and Post-Employment Benefits 2015
Other assets	1[1]	–	–	–
Accrued liabilities	–	–	55	50
Pension benefit liability	900	952	–	–
Post-retirement and post-employment benefit liability	–	–	1,628[2]	1,541
Net unfunded status	899	952	1,683	1,591

[1] Represents the funded status of Great Lakes Power's defined benefit pension plan.

[2] Includes $7 million (2015 – $nil) relating to Great Lakes Power's post-employment benefit plans.

The funded or unfunded status of the pension, post-retirement and post-employment benefit plans refers to the difference between the fair value of plan assets and the projected benefit obligations for the Plans. The funded/unfunded status changes over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following table provides the projected benefit obligation (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for the Pension Plan:

December 31 *(millions of dollars)*	2016	2015
PBO	7,774	7,683
ABO	7,094	7,020
Fair value of plan assets	6,874	6,731

On an ABO basis, the Pension Plan was funded at 97% at December 31, 2016 (2015 – 96%). On a PBO basis, the Pension Plan was funded at 88% at December 31, 2016 (2015 – 88%). The ABO differs from the PBO in that the ABO includes no assumption about future compensation levels.

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2016 and 2015 for the Pension Plan:

Year ended December 31 *(millions of dollars)*	2016	2015
Current service cost, net of employee contributions	144	146
Interest cost	308	302
Expected return on plan assets, net of expenses	(432)	(406)
Amortization of actuarial losses	96	119
Prior service cost amortization	–	2
Net periodic benefit costs	116	163
Charged to results of operations[1]	45	81

[1] The Company follows the cash basis of accounting consistent with the inclusion of pension costs in OEB-approved rates. During the year ended December 31, 2016, pension costs of $105 million (2015 – $177 million) were attributed to labour, of which $45 million (2015 – $81 million) was charged to operations, and $60 million (2015 – $96 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2016 and 2015 for the post-retirement and post-employment benefit plans:

Year ended December 31 *(millions of dollars)*	2016	2015
Current service cost, net of employee contributions	41	43
Interest cost	66	64
Amortization of actuarial losses	15	14
Prior service cost amortization	–	–
Net periodic benefit costs	122	121
Charged to results of operations	53	55

Assumptions

The measurement of the obligations of the Plans and the costs of providing benefits under the Plans involves various factors, including the development of valuation assumptions and accounting policy elections. When developing the required assumptions, the Company considers historical information as well as future expectations. The measurement of benefit obligations and costs is impacted by several assumptions including the discount rate applied to benefit obligations, the long-term expected rate of return on plan assets, Hydro One's expected level of contributions to the Plans, the incidence of mortality, the expected remaining service period of plan participants, the level of compensation and rate of compensation increases, employee age, length of service, and the anticipated rate of increase of health care costs, among other factors. The impact of changes in assumptions used to measure the obligations of the Plans is generally recognized over the expected average remaining service period of the plan participants. In selecting the expected rate of return on plan assets, Hydro One considers historical economic indicators that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by target asset class allocations. In general, equity securities, real estate and private equity investments are forecasted to have higher returns than fixed-income securities.

The following weighted average assumptions were used to determine the benefit obligations at December 31, 2016 and 2015:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31	2016	2015	2016	2015
Significant assumptions:				
Weighted average discount rate	3.90%	4.00%	3.90%	4.10%
Rate of compensation scale escalation (long-term)	2.50%	2.50%	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%	2.00%	2.00%
Rate of increase in health care cost trends[1]	–	–	4.36%	4.36%

[1] 6.25% per annum in 2017, grading down to 4.36% per annum in and after 2031 (2015 – 6.38% in 2016, grading down to 4.36% per annum in and after 2031).

The following weighted average assumptions were used to determine the net periodic benefit costs for the years ended December 31, 2016 and 2015. Assumptions used to determine current year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Year ended December 31	2016	2015
Pension Benefits:		
Weighted average expected rate of return on plan assets	6.50%	6.50%
Weighted average discount rate	4.00%	4.00%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15	13
Post-Retirement and Post-Employment Benefits:		
Weighted average discount rate	4.10%	4.00%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15.3	13.8
Rate of increase in health care cost trends[1]	4.36%	4.36%

[1] 6.38% per annum in 2016, grading down to 4.36% per annum in and after 2031 (2015 – 6.52% in 2015, grading down to 4.36% per annum in and after 2031).

The discount rate used to determine the current year pension obligation and the subsequent year's net periodic benefit costs is based on a yield curve approach. Under the yield curve approach, expected future benefit payments for each plan are discounted by a rate on a third-party bond yield curve corresponding to each duration. The yield curve is based on "AA" long-term corporate bonds. A single discount rate is calculated that would yield the same present value as the sum of the discounted cash flows.

The effect of a 1% change in health care cost trends on the projected benefit obligation for the post-retirement and post-employment benefits at December 31, 2016 and 2015 is as follows:

December 31 *(millions of dollars)*	2016	2015
Projected benefit obligation:		
Effect of a 1% increase in health care cost trends	286	252
Effect of a 1% decrease in health care cost trends	(219)	(196)

The effect of a 1% change in health care cost trends on the service cost and interest cost for the post-retirement and post-employment benefits for the years ended December 31, 2016 and 2015 is as follows:

Year ended December 31 *(millions of dollars)*	2016	2015
Service cost and interest cost:		
Effect of a 1% increase in health care cost trends	22	22
Effect of a 1% decrease in health care cost trends	(16)	(16)

The following approximate life expectancies were used in the mortality assumptions to determine the projected benefit obligations for the pension and post-retirement and post-employment plans at December 31, 2016 and 2015:

December 31, 2016				December 31, 2015			
Life expectancy at 65 for a member currently at				Life expectancy at 65 for a member currently at			
Age 65		Age 45		Age 65		Age 45	
Male	Female	Male	Female	Male	Female	Male	Female
22	24	23	24	23	25	24	26

Estimated Future Benefit Payments

At December 31, 2016, estimated future benefit payments to the participants of the Plans were:

(millions of dollars)	Pension Benefits	Post-Retirement and Post-Employment Benefits
2017	321	55
2018	331	57
2019	340	60
2020	349	61
2021	358	65
2022 through to 2026	1,910	353
Total estimated future benefit payments through to 2026	3,609	651

Components of Regulatory Assets

A portion of actuarial gains and losses and prior service costs is recorded within regulatory assets on Hydro One's Consolidated Balance Sheets to reflect the expected regulatory inclusion of these amounts in future rates, which would otherwise be recorded in OCI. The following table provides the actuarial gains and losses and prior service costs recorded within regulatory assets:

Year ended December 31 *(millions of dollars)*	2016	2015
Pension Benefits:		
Actuarial loss (gain) for the year	35	(181)
Amortization of actuarial losses	(96)	(119)
Prior service cost amortization	–	(2)
	(61)	(302)
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain) for the year	14	(27)
Amortization of actuarial losses	(15)	(14)
Prior service cost amortization	–	–
	(1)	(41)

The following table provides the components of regulatory assets that have not been recognized as components of net periodic benefit costs for the years ended December 31, 2016 and 2015:

Year ended December 31 *(millions of dollars)*	2016	2015
Pension Benefits:		
Prior service cost	–	–
Actuarial loss	900	952
	900	952
Post-Retirement and Post-Employment Benefits:		
Actuarial loss	243	240
	243	240

The following table provides the components of regulatory assets at December 31 that are expected to be amortized as components of net periodic benefit costs in the following year:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
December 31 *(millions of dollars)*	2016	2015	2016	2015
Prior service cost	–	–	–	–
Actuarial loss	79	96	6	8
	79	96	6	8

Pension Plan Assets

Investment Strategy

On a regular basis, Hydro One evaluates its investment strategy to ensure that Pension Plan assets will be sufficient to pay Pension Plan benefits when due. As part of this ongoing evaluation, Hydro One may make changes to its targeted asset allocation and investment strategy. The Pension Plan is managed at a net asset level. The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Company. The Pension Plan fulfills its primary objective by adhering to specific investment policies outlined in its Summary of Investment Policies and Procedures (SIPP), which is reviewed and approved by the Human Resource Committee of Hydro One's Board of Directors. The Company manages net assets by engaging knowledgeable external investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. The performance of the managers is monitored through a governance structure. Increases in net assets are a direct result of investment income generated by investments held by the Pension Plan and contributions to the Pension Plan by eligible employees and by the Company. The main use of net assets is for benefit payments to eligible Pension Plan members.

Pension Plan Asset Mix

At December 31, 2016, the Pension Plan target asset allocations and weighted average asset allocations were as follows:

	Target Allocation (%)	Pension Plan Assets (%)
Equity securities	55.0	58.7
Debt securities	35.0	33.6
Other[1]	10.0	7.7
	100.0	100.0

[1] Other investments include real estate and infrastructure investments.

At December 31, 2016, the Pension Plan held $11 million (2015 – $9 million) Hydro One corporate bonds and $450 million (2015 – $420 million) of debt securities of the Province.

Concentrations of Credit Risk

Hydro One evaluated its Pension Plan's asset portfolio for the existence of significant concentrations of credit risk as at December 31, 2016 and 2015. Concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, concentrations in a type of industry, and concentrations in individual funds. At December 31, 2016 and 2015, there were no significant concentrations (defined as greater than 10% of plan assets) of risk in the Pension Plan's assets.

The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade and government bonds and with respect to derivative instruments by transacting only with financial institutions rated at least "A+" by Standard & Poor's Rating Services, DBRS Limited, and Fitch Ratings Inc., and "A1" by Moody's Investors Service, and also by utilizing exposure limits to each counterparty and ensuring that exposure is diversified across counterparties. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation.

Fair Value Measurements

The following tables present the Pension Plan assets measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at December 31, 2016 and 2015:

December 31, 2016 *(millions of dollars)*	Level 1	Level 2	Level 3	Total
Pooled funds	–	20	425	445
Cash and cash equivalents	146	–	–	146
Short-term securities	–	127	–	127
Corporate shares – Canadian	911	–	–	911
Corporate shares – Foreign	2,985	113	–	3,098
Bonds and debentures – Canadian	–	1,943	–	1,943
Bonds and debentures – Foreign	–	193	–	193
Total fair value of plan assets[1]	4,042	2,396	425	6,863

[1] At December 31, 2016, the total fair value of Pension Plan assets excludes $27 million of interest and dividends receivable, $15 million of purchased investments payable, $9 million of pension administration expenses payable, and $7 million of sold investments receivable.

December 31, 2015 *(millions of dollars)*	Level 1	Level 2	Level 3	Total
Pooled funds	–	23	301	324
Cash and cash equivalents	191	–	–	191
Short-term securities	–	80	–	80
Corporate shares – Canadian	807	–	–	807
Corporate shares – Foreign	2,931	116	–	3,047
Bonds and debentures – Canadian	–	2,072	–	2,072
Bonds and debentures – Foreign	–	201	–	201
Total fair value of plan assets[1]	3,929	2,492	301	6,722

[1] At December 31, 2015, the total fair value of Pension Plan assets excludes $27 million of interest and dividends receivable, and $18 million relating to accruals for pension administration expense and foreign exchange contracts payable.

See note 16 – Fair Value of Financial Instruments and Risk Management for a description of levels within the fair value hierarchy.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2016 and 2015. The Pension Plan classifies financial instruments as Level 3 when the fair value is measured based on at least one significant input that is not observable in the markets or due to lack of liquidity in certain markets. The gains and losses presented in the table below may include changes in fair value based on both observable and unobservable inputs.

Year ended December 31 *(millions of dollars)*	2016	2015
Fair value, beginning of year	301	144
Realized and unrealized gains	23	51
Purchases	151	106
Sales and disbursements	(50)	–
Fair value, end of year	425	301

There were no significant transfers between any of the fair value levels during the years ended December 31, 2016 and 2015.

The Company performs sensitivity analysis for fair value measurements classified in Level 3, substituting the unobservable inputs with one or more reasonably possible alternative assumptions. These sensitivity analyses resulted in negligible changes in the fair value of financial instruments classified in this level.

Valuation Techniques Used to Determine Fair Value

Pooled funds mainly consist of private equity, real estate and infrastructure investments. Private equity investments represent private equity funds that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include limited partnerships in businesses that are characterized by high internal growth and operational efficiencies, venture capital, leveraged buyouts and special situations such as distressed investments. Real estate and infrastructure investments represent funds that invest in real assets which are not publicly traded on a stock exchange. Investment strategies in real estate include limited partnerships that seek to generate a total return through income and capital growth by investing primarily in global and Canadian limited partnerships. Investment strategies in infrastructure include limited partnerships in core infrastructure assets focusing on assets that generate stable, long-term cash flows and deliver incremental returns relative to conventional fixed-income investments. Private equity, real estate and infrastructure valuations are reported by the fund manager and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, discounted future cash flows and market-based comparable data. Since these valuation inputs are not highly observable, private equity and infrastructure investments have been categorized as Level 3 within pooled funds.

Cash equivalents consist of demand cash deposits held with banks and cash held by the investment managers. Cash equivalents are categorized as Level 1.

Short-term securities are valued at cost plus accrued interest, which approximates fair value due to their short-term nature. Short-term securities are categorized as Level 2.

Corporate shares are valued based on quoted prices in active markets and are categorized as Level 1. Investments denominated in foreign currencies are translated into Canadian currency at year-end rates of exchange.

Bonds and debentures are presented at published closing trade quotations, and are categorized as Level 2.

19. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2016 and 2015:

Year ended December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities, January 1	148	59	207
Interest accretion	7	1	8
Expenditures	(11)	(9)	(20)
Revaluation adjustment	(1)	10	9
Environmental liabilities, December 31	143	61	204
Less: current portion	18	9	27
	125	52	177

Year ended December 31, 2015 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities, January 1	172	67	239
Interest accretion	8	2	10
Expenditures	(8)	(11)	(19)
Revaluation adjustment	(24)	1	(23)
Environmental liabilities, December 31	148	59	207
Less: current portion	12	10	22
	136	49	185

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	158	66	224
Less: discounting accumulated liabilities to present value	15	5	20
Discounted environmental liabilities	143	61	204

December 31, 2015 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	168	61	229
Less: discounting accumulated liabilities to present value	20	2	22
Discounted environmental liabilities	148	59	207

At December 31, 2016, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2017	27
2018	26
2019	25
2020	29
2021	36
Thereafter	81
	224

Hydro One records a liability for the estimated future expenditures for land assessment and remediation and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated.

There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures.

PCBs

The Environment Canada regulations, enacted under the *Canadian Environmental Protection Act, 1999*, govern the management, storage and disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under current regulations, Hydro One's PCBs have to be disposed of by the end of 2025, with the exception of specifically exempted equipment. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Company's best estimate of the total estimated future expenditures to comply with current PCB regulations is $158 million (2015 – $168 million). These expenditures are expected to be incurred over the period from 2017 to 2025. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2016 to reduce the PCB environmental liability by $1 million (2015 – $24 million).

Land Assessment and Remediation

The Company's best estimate of the total estimated future expenditures to complete its land assessment and remediation program is $66 million (2015 – $61 million). These expenditures are expected to be incurred over the period from 2017 to 2032. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2016 to increase the land assessment and remediation environmental liability by $10 million (2015 – $1 million).

20. ASSET RETIREMENT OBLIGATIONS

Hydro One records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities and for the decommissioning of specific switching stations located on unowned sites. Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an asset retirement obligation is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as asset retirement obligations, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's asset retirement obligations represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Asset retirement obligations are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2016, Hydro One had recorded asset retirement obligations of $9 million (2015 – $9 million), primarily consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal.

21. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. At December 31, 2016, the Company had 142,239 common shares issued and outstanding (2015 – 142,239).

In 2016, a return of stated capital in the amount of $609 million (2015 – $nil) was paid.

The amount and timing of any dividends payable by Hydro One is at the discretion of the Hydro One Board of Directors and is established on the basis of Hydro One's results of operations, maintenance of its deemed regulatory capital structure, financial condition, cash requirements, the satisfaction of solvency tests imposed by corporate laws for the declaration and payment of dividends and other factors that the Board of Directors may consider relevant.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At December 31, 2016, Hydro One had no issued and outstanding preferred shares.

On November 2, 2015, a special resolution of Hydro One Limited (as sole shareholder of Hydro One) was made to amend the articles of Hydro One to delete the share ownership restrictions and to amend the Hydro One preferred share terms to provide for basic redeemable preferred shares. When issued, the Class A preferred shares will be redeemable at the option of the Company. The holders of the Class A preferred shares will be entitled to receive, if and when declared by the Hydro One Board of Directors, non-cumulative preferred share dividends at a rate per year to be determined by the Hydro One Board of Directors. The holders of the Class A preferred shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of Hydro One. The holders of the Class A preferred shares will be entitled to receive, before any distributions to the holders of common shares and any other shares ranking junior to the Class A preferred shares, an amount equal to the amount paid for the Class A preferred shares together with all dividends declared and unpaid up to the date of liquidation, dissolution or winding up of Hydro One, or the date of redemption.

Prior to October 31, 2015, the Company had 12,920,000 issued and outstanding 5.5% cumulative preferred shares held by the Province, with a redemption value of $25 per share or $323 million total value. These preferred shares were entitled to an annual cumulative dividend of $18 million, or $1.375 per share, which was payable on a quarterly basis. These preferred shares had conditions for their redemption that were outside the control of the Company because the Province could exercise its right to redeem in the event of change in ownership without approval of the Company's Board of Directors. At December 31, 2014, these preferred shares were classified on the Consolidated Balance Sheet as temporary equity because the redemption feature was outside the control of the Company. On October 31, 2015, these preferred shares were purchased and cancelled by Hydro One. See "Reorganization" below for further details.

Reorganization

Prior to the completion of the IPO, Hydro One and Hydro One Limited completed a series of transactions (Pre-IPO Transactions) that resulted in, among other things, on October 31, 2015, Hydro One Limited acquiring all of the issued and outstanding shares of Hydro One from the Province.

The following table presents the common shares issued during the year ended December 31, 2015.

Year ended December 31, 2015	*(millions of dollars)*	*(number of shares)*
Pre-Closing Transactions:		
Common shares issued – purchase and cancellation of preferred shares *(a)*	323	2,640
Common shares issued *(b)*	2,600	39,598
Common shares issued *(c)*	–	1
Total common shares issued	2,923	42,239

(a) On October 31, 2015, Hydro One purchased and cancelled its 12,920,000 preferred shares previously held by the Province for cancellation at a price equal to the redemption price of the preferred shares totalling $323 million, which was satisfied by the issuance to the Province of 2,640 common shares of Hydro One.

(b) On November 4, 2015, Hydro One issued 39,598 common shares to Hydro One Limited for proceeds of $2.6 billion.

(c) On November 3, 2015, Hydro One declared a stock dividend on its common shares, which due to the number of shares issued and the resulting effect on the price per share was treated as a stock split. On November 5, 2015, Hydro One effected a reverse split and issued as consideration one common share to Hydro One Limited. There was no impact to the capital structure of Hydro One as a net result of the stock dividend and the reverse split.

22. DIVIDENDS

In 2016, preferred share dividends in the amount of $nil (2015 – $13 million) and common share dividends in the amount of $2 million (2015 – $875 million) were declared.

In August 2015, Hydro One declared a dividend in-kind on its common shares payable in all of the issued and outstanding shares of Hydro One Brampton (see note 4).

23. EARNINGS PER SHARE

Basic and diluted earnings per common share (EPS) is calculated by dividing net income attributable to common shareholder of Hydro One by the weighted average number of common shares outstanding. The weighted average number of shares outstanding at December 31, 2016 was 142,239 (2015 – 107,116). There were no dilutive securities during 2016 or 2015.

24. STOCK-BASED COMPENSATION

The following compensation plans were established by Hydro One Limited, however they represent components of compensation costs of Hydro One in current and future periods.

Share Grant Plans

At December 31, 2016, Hydro One Limited had two share grant plans (Share Grant Plans), one for the benefit of certain members of the Power Workers' Union (the PWU Share Grant Plan) and one for the benefit of certain members of The Society of Energy Professionals (the Society Share Grant Plan). Hydro One and Hydro One Limited entered into an intercompany agreement, such that Hydro One will pay Hydro One Limited for the compensation costs associated with these plans.

The PWU Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of the Power Workers' Union annually, commencing on April 1, 2017 and continuing until the earlier of April 1, 2028 or the date an eligible employee no longer meets the eligibility criteria of the PWU Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on April 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. The requisite service period for the PWU Share Grant Plan begins on July 3, 2015, which is the date the share grant plan was ratified by the PWU. The number of common shares issued annually to each eligible employee will be equal to 2.7% of such eligible employee's salary as at April 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the IPO. The aggregate number of Hydro One Limited common shares issuable under the PWU Share Grant Plan shall not exceed 3,981,763 common shares. In 2015, 3,952,212 Hydro One Limited common shares were granted under the PWU Share Grant Plan relevant to the total share based compensation recognized by Hydro One.

The Society Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of The Society of Energy Professionals annually, commencing on April 1, 2018 and continuing until the earlier of April 1, 2029 or the date an eligible employee no longer meets the eligibility criteria of the Society Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on September 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. Therefore the requisite service period for the Society Share Grant Plan begins on September 1, 2015. The number of common shares issued annually to each eligible employee will be equal to 2.0% of such eligible employee's salary as at September 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the IPO. The aggregate number of Hydro One Limited common shares issuable under the Society Share Grant Plan shall not exceed 1,434,686 common shares. In 2015, 1,367,158 Hydro One Limited common shares were granted under the Society Share Grant Plan relevant to the total share based compensation recognized by Hydro One.

The fair value of the Hydro One Limited 2015 share grants of $111 million was estimated based on the grant date Hydro One Limited share price of $20.50 and is recognized using the graded-vesting attribution method as the share grant plans have both a performance condition and a service condition. No shares were granted under the Share Grant Plans in 2016. Total share based compensation recognized during 2016 was $21 million (2015 – $10 million) and was recorded as a regulatory asset.

A summary of share grant activity under the Share Grant Plans during years ended December 31, 2016 and 2015 is presented below:

Year ended December 31, 2016	Share Grants *(number of common shares)*	Weighted-Average Price
Share grants outstanding – January 1, 2016	5,319,370	$20.50
Granted (non-vested)	–	–
Forfeited[1]	(79,692)	$20.50
Share grants outstanding – December 31, 2016	5,239,678	$20.50

[1] Includes shares forfeited as well as shares transferred corresponding to transfer of employees from an affiliate company.

Year ended December 31, 2015	Share Grants *(number of common shares)*	Weighted-Average Price
Share grants outstanding – January 1, 2015	–	–
Granted (non-vested)	5,319,370	$20.50
Share grants outstanding – December 31, 2015	5,319,370	$20.50

Directors' DSU Plan

Under the Directors' DSU Plan, directors can elect to receive credit for their annual cash retainer in a notional account of DSUs in lieu of cash. Hydro One Limited's Board of Directors may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled.

Each DSU represents a unit with an underlying value equivalent to the value of one common share of Hydro One Limited and is entitled to accrue Hydro One Limited common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One Limited's Board of Directors.

Year ended December 31 *(number of DSUs)*	2016	2015
DSUs outstanding – January 1	20,525	–
DSUs granted	78,558	20,525
DSUs outstanding – December 31	99,083	20,525

For the year ended December 31, 2016, an expense of $2 million (2015 – less than $1 million) was recognized in earnings with respect to the DSU Plan. At December 31, 2016, a liability of $2 million (December 31, 2015 – less than $1 million), related to outstanding DSUs has been recorded at the closing price of Hydro One Limited's common shares of $23.58 and is included in accrued liabilities on the Consolidated Balance Sheets.

Employee Share Ownership Plan

Effective December 15, 2015, Hydro One Limited established an Employee Share Ownership Plan (ESOP). Under the ESOP, certain eligible management and non-represented employees may contribute between 1% and 6% of their base salary towards purchasing common shares of Hydro One Limited. The Company matches 50% of the employee's contributions, up to a maximum Company contribution of $25,000 per calendar year. In 2016, Company contributions made under the ESOP were $2 million (2015 - $nil).

Long-term Incentive Plan

Effective August 31, 2015, the Board of Directors of Hydro One Limited adopted an LTIP. Under the LTIP, long-term incentives are granted to certain executive and management employees of Hydro One Limited and its subsidiaries, and all equity-based awards will be settled in newly issued shares of Hydro One Limited from treasury, consistent with the provisions of the plan. The aggregate number of shares issuable under the LTIP shall not exceed 11,900,000 shares of Hydro One Limited.

The LTIP provides flexibility to award a range of vehicles, including restricted share units (RSUs), performance share units (PSUs), stock options, share appreciation rights, restricted shares, deferred share units and other share-based awards. The mix of vehicles is intended to vary by role to recognize the level of executive accountability for overall business performance.

During 2016, Hydro One Limited granted awards under its LTIP, consisting of PSUs and RSUs, all of which are equity settled in Hydro One Limited shares, as follows:

Year ended December 31, 2016	Number of PSUs	Number of RSUs
Units outstanding – January 1, 2016	–	–
Units granted	233,710	257,260
Units forfeited	(4,820)	(4,820)
Units outstanding – December 31, 2016	228,890	252,440

The grant date total fair value of the awards was $12 million (2015 – $nil). The compensation expense recognized by the Company relating to these awards during 2016 was $3 million (2015 – $nil).

25. NONCONTROLLING INTEREST

On December 16, 2014, transmission assets totalling $526 million were transferred from Hydro One Networks to B2M LP. This was financed by 60% debt ($316 million) and 40% equity ($210 million). On December 17, 2014, the Saugeen Ojibway Nation (SON) acquired a 34.2% equity interest in B2M LP for consideration of $72 million, representing the fair value of the equity interest acquired. The SON's initial investment in B2M LP consists of $50 million of Class A units and $22 million of Class B units.

The Class B units have a mandatory put option which requires that upon the occurrence of an enforcement event (i.e. an event of default such as a debt default by the SON or insolvency event), Hydro One purchase the Class B units of B2M LP for net book value on the redemption date. The noncontrolling interest relating to the Class B units is classified on the Consolidated Balance Sheet as temporary equity because the redemption feature is outside the control of the Company. The balance of the noncontrolling interest is classified within equity.

The following tables show the movements in noncontrolling interest for the years ended December 31, 2016 and 2015:

Year ended December 31, 2016 *(millions of dollars)*	Temporary Equity	Equity	Total
Noncontrolling interest – January 1, 2016	23	52	75
Distributions to noncontrolling interest	(3)	(6)	(9)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest – December 31, 2016	22	50	72

Year ended December 31, 2015 *(millions of dollars)*	Temporary Equity	Equity	Total
Noncontrolling interest – January 1, 2015	21	49	70
Distributions to noncontrolling interest	(1)	(4)	(5)
Net income attributable to noncontrolling interest	3	7	10
Noncontrolling interest – December 31, 2015	23	52	75

26. RELATED PARTY TRANSACTIONS

Hydro One is owned by Hydro One Limited. The Province is the majority shareholder of Hydro One Limited. The IESO, Ontario Power Generation Inc. (OPG), OEFC, OEB, Hydro One Brampton and Hydro One Telecom are related parties to Hydro One because they are controlled or significantly influenced by the Province or by Hydro One Limited.

Related Party	Transaction	Year ended December 31 2016	2015
		(millions of dollars)	
Province[1]	Dividends paid	–	888
IESO	Power purchased	2,096	2,318
	Revenues for transmission services	1,549	1,548
	Distribution revenues related to rural rate protection	125	127
	Distribution revenues related to the supply of electricity to remote northern communities	32	32
	Funding received related to Conservation and Demand Management programs	63	70
OPG	Power purchased	6	11
	Revenues related to provision of construction and equipment maintenance services	4	7
	Costs expensed related to the purchase of services	1	1
OEFC	Payments in lieu of corporate income taxes[2]	–	2,933
	Power purchased from power contracts administered by the OEFC	1	6
	Indemnification fee paid (terminated effective October 31, 2015)	–	8
OEB	OEB fees	11	12
Hydro One Brampton[1]	Revenues from management, administrative and smart meter network services	3	1
Hydro One Limited	Common shares issued[3]	–	2,600
	Return of stated capital	609	–
	Dividends paid	2	–
	Stock-based compensation costs	24	10
	IPO costs subsequently reimbursed by Hydro One Limited[4]	–	7
Hydro One Telecom	Services received – costs expensed	24	4
	Services received – costs capitalized	12	2
	Revenues for services provided	3	–

[1] On August 31, 2015, Hydro One completed the spin-off of its subsidiary, Hydro One Brampton, to the Province.

[2] In 2015, Hydro One made PILs to the OEFC totalling $2.9 billion, including Departure Tax of $2.6 billion.

[3] On November 4, 2015, Hydro One issued 39,598 common shares to Hydro One Limited for proceeds of $2.6 billion.

[4] In 2015, Hydro One incurred certain IPO related expenses totalling $7 million, which were subsequently reimbursed to the Company by Hydro One Limited.

Sales to and purchases from related parties are based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are interest free and settled in cash.

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 *(millions of dollars)*	2016	2015
Due from related parties	224	184
Due to related parties[1]	(279)	(142)

[1] Included in due to related parties at December 31, 2016 are amounts owing to the IESO in respect of power purchases of $143 million (2015 – $134 million).

27. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 *(millions of dollars)*	2016	2015
Accounts receivable	(59)	249
Due from related parties	(40)	40
Materials and supplies	2	2
Prepaid expenses and other assets	(17)	12
Accounts payable	18	(26)
Accrued liabilities	52	(27)
Due to related parties	113	(95)
Accrued interest	9	(4)
Long-term accounts payable and other liabilities	6	–
Post-retirement and post-employment benefit liability	84	41
	168	192

Capital Expenditures

The following table reconciles between investments in property, plant and equipment and the amount presented in the Consolidated Statements of Cash Flows after accounting for capitalized depreciation and the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2016	2015
Capital investments in property, plant and equipment	(1,624)	(1,622)
Capitalized depreciation and net change in accruals included in capital investments in property, plant and equipment	30	28
Capital expenditures – property, plant and equipment	(1,594)	(1,594)

The following table reconciles between investments in intangible assets and the amount presented in the Consolidated Statements of Cash Flows after accounting for the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2016	2015
Capital investments in intangible assets	(67)	(40)
Net change in accruals included in capital investments in intangible assets	6	3
Capital expenditures – intangible assets	(61)	(37)

Capital Contributions

Hydro One enters into contracts governed by the OEB Transmission System Code when a transmission customer requests a new or upgraded transmission connection. The customer is required to make a capital contribution to Hydro One based on the shortfall between the present value of the costs of the connection facility and the present value of revenues. The present value of revenues is based on an estimate of load forecast for the period of the contract with Hydro One. Once the connection facility is commissioned, in accordance with the OEB Transmission System Code, Hydro One will periodically reassess the estimated of load forecast which will lead to a decrease, or an increase in the capital contributions from the customer. The increase or decrease in capital contributions is recorded directly to fixed assets in service. In 2016, capital contributions from these reassessments totalled $21 million (2015 – $57 million), which represents the difference between the revised load forecast of electricity transmitted compared to the load forecast in the original contract, subject to certain adjustments.

Supplementary Information

Year ended December 31 *(millions of dollars)*	2016	2015
Net interest paid	418	416
Income taxes / PILs paid	30	2,928

28. CONTINGENCIES

Legal Proceedings

Hydro One 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 consolidated financial position, results of operations or cash flows.

Hydro One Inc., Hydro One Networks, Hydro One Remote Communities, and Norfolk Power Distribution Inc. are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. A certification motion in the class action is pending. Due to the preliminary stage of legal proceedings, an estimate of a possible loss related to this claim cannot be made.

Transfer of Assets

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, the Company is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. The Company cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. In 2016, the Company paid approximately $1 million (2015 – $1 million) in respect of consents obtained. If the Company cannot obtain the required consents, the OEFC will continue to hold these assets for an indefinite period of time. If the Company cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. The costs relating to these assets could have a material adverse effect on the Company's results of operations if the Company is not able to recover them in future rate orders.

29. COMMITMENTS

The following table presents a summary of Hydro One's commitments under leases, outsourcing and other agreements due in the next 5 years and thereafter.

December 31, 2016 *(millions of dollars)*	2017	2018	2019	2020	2021	Thereafter
Outsourcing agreements	165	102	94	2	2	9
Long-term software/meter agreement	17	17	16	17	1	5
Operating lease commitments	9	9	4	8	2	2

Outsourcing Agreements

Inergi LP (Inergi), an affiliate of Capgemini Canada Inc., provides services to Hydro One, including settlements, source to pay services, pay operations services, information technology, finance and accounting services. The agreement with Inergi for these services expires in December 2019. In addition, Inergi provides customer service operations outsourcing services to Hydro One. The agreement for these services expires in February 2018.

Brookfield Global Integrated Solutions (formerly Brookfield Johnson Controls Canada LP) (Brookfield) provides services to Hydro One, including facilities management and execution of certain capital projects as deemed required by the Company. The agreement with Brookfield for these services expires in December 2024.

Long-term software/meter agreement

Trilliant Holdings Inc. and Trilliant Networks (Canada) Inc. (collectively Trilliant) provide services to Hydro One for the supply, maintenance and support services for smart meters and related hardware and software, including additional software licences, as well as certain professional services.The agreement with Trilliant for these services expires in December 2025, but Hydro One has the option to renew for an additional term of five years at its sole discretion.

Operating Leases

Hydro One is committed as lessee to irrevocable operating lease contracts for buildings used in administrative and service-related functions. These leases have typical terms of between three and five years, but several leases have lesser or greater terms to address special circumstances and/or opportunities. Renewal options, which are generally prevalent in most leases, have similar terms of three to five years. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions or pre-established rents. There are no restrictions placed upon Hydro One by entering into these leases. During the year ended December 31, 2016, the Company made lease payments totalling $10 million (2015 – $6 million).

Other Commitments

Prudential Support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. As at December 31, 2016, Hydro One provided prudential support to the IESO on behalf of its subsidiaries using parental guarantees of $329 million (2015 – $329 million), and on behalf of a distributor using guarantees of $1 million (2015 – $1 million). In addition, as at December 31, 2016, Hydro One provided letters of credit in the amount of $24 million (2015 – $15 million), including $17 million (2015 – $15 million) to the IESO. The IESO could draw on these guarantees and/or letters of credit if these subsidiaries or distributor fail to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

Retirement Compensation Arrangements

Bank letters of credit have been issued to provide security for the Company's liability under the terms of a trust fund established pursuant to the supplementary pension plan for eligible employees of Hydro One. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure the Company's liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit. At December 31, 2016, Hydro One had letters of credit of $150 million (2015 – $139 million) outstanding relating to retirement compensation arrangements.

30. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Business, which comprises the transmission of high voltage electricity across the province, interconnecting more than 70 local distribution companies and certain large directly connected industrial customers throughout the Ontario electricity grid;
- The Distribution Business, which comprises the delivery of electricity to end customers and certain other municipal electricity distributors; and
- Other Business, which includes certain corporate activities. The comparative information also includes the operations of Hydro One Telecom up to November 4, 2015.

The designation of segments has been based on a combination of regulatory status and the nature of the services provided. Operating segments of the Company are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance of each of the segments. The Company evaluates segment performance based on income before financing charges and income taxes from continuing operations (excluding certain allocated corporate governance costs).

The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see note 2).

Year ended December 31, 2016 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,587	4,915	–	6,502
Purchased power	–	3,427	–	3,427
Operation, maintenance and administration	410	613	20	1,043
Depreciation and amortization	390	379	–	769
Income (loss) before financing charges and income taxes	787	496	(20)	1,263
Capital investments	988	703	–	1,691

Year ended December 31, 2015 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,536	4,949	44	6,529
Purchased power	–	3,450	–	3,450
Operation, maintenance and administration	415	633	82	1,130
Depreciation and amortization	374	380	3	757
Income (loss) before financing charges and income taxes	747	486	(41)	1,192
Capital investments	943	711	8	1,662

Total Assets by Segment:

December 31 *(millions of dollars)*	2016	2015
Transmission	13,083	12,045
Distribution	9,393	9,200
Other	2,834	2,924
Total assets	25,310	24,169

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada.

31. SUBSEQUENT EVENTS

Return of Stated Capital

On February 9, 2017, a return of stated capital in the amount of $147 million was approved.

HYDRO ONE NETWORKS INC.

DISTRIBUTION BUSINESS

FINANCIAL STATEMENTS

DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Directors of Hydro One Networks Inc.

We have audited the accompanying carve-out financial statements of the Distribution Business (a business of Hydro One Networks Inc.), which comprise the carve-out balance sheet as at December 31, 2017, the carve-out statements of operations and comprehensive income, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The carve-out financial statements have been prepared by management in accordance with the basis of accounting in Note 2 to the carve-out financial statements.

Management's Responsibility for the Carve-out Financial Statements

Management of Hydro One Networks Inc. is responsible for the preparation of these carve-out financial statements in accordance with the basis of accounting in Note 2 to the carve-out financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these carve-out financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of carve-out 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 carve-out 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 carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the carve-out 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 carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements as at and for the year ended December 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting in Note 2 to the carve-out financial statements.

Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 2 to the carve-out financial statements, which describes the basis of preparation used in these carve-out financial statements. In particular, in preparing the carve-out financial statements, long-term debt, shared functions and service costs, and income taxes have been allocated to the Distribution Business (a business of Hydro One Networks Inc.) using the method of allocation described in Note 2 to the carve-out financial statements. As a result, the carve-out financial statements may not necessarily be identical to the balance sheet, results of operations and cash flows that would have resulted had the Distribution Business (a business of Hydro One Networks Inc.) historically operated on a stand-alone basis. The carve-out financial statements are prepared to assist Hydro One Networks Inc. to comply with its reporting requirements of the Ontario Energy Board. As a result, the carve-out financial statements may not be suitable for another purpose.

Our report is intended solely for the Directors of Hydro One Networks Inc. and the Ontario Energy Board and should not be used by parties other than Hydro One Networks Inc. or the Ontario Energy Board.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
April 27, 2018

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016

Year ended December 31 *(millions of Canadian dollars)*	2017	2016
Revenues		
Energy sales	4,005	4,609
Rural rate protection *(Note 23)*	247	125
Other	63	58
	4,315	4,792
Costs		
Purchased power *(Note 23)*	2,875	3,365
Operation, maintenance and administration *(Note 23)*	567	567
Depreciation and amortization *(Note 5)*	388	375
	3,830	4,307
Income before financing charges and income taxes	**485**	**485**
Financing charges *(Notes 6, 23)*	165	156
Income before income taxes	**320**	**329**
Income taxes *(Note 7)*	55	58
Net income	**265**	**271**
Other comprehensive income	—	—
Comprehensive income	**265**	**271**

See accompanying notes to Financial Statements.

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
BALANCE SHEETS
At December 31, 2017 and 2016

December 31 *(millions of Canadian dollars)*	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	—	9
Accounts receivable *(Note 8)*	588	786
Due from related parties *(Note 23)*	138	33
Other current assets *(Note 9)*	38	44
	764	872
Property, plant and equipment *(Note 10)*	7,324	7,098
Other long-term assets:		
Regulatory assets *(Note 12)*	638	867
Intangible assets *(Note 11)*	289	268
Goodwill	168	168
Other assets	1	1
	1,096	1,304
Total assets	**9,184**	**9,274**
Liabilities		
Current liabilities:		
Inter-company demand facility *(Note 23)*	167	74
Long-term debt payable within one year *(Notes 15, 16, 23)*	337	195
Accounts payable and other current liabilities *(Note 13)*	679	638
Due to related parties *(Note 23)*	218	178
	1,401	1,085
Long-term liabilities:		
Long-term debt *(Notes 15, 16, 23)*	3,498	3,837
Deferred income tax liabilities *(Note 7)*	499	492
Regulatory liabilities *(Note 12)*	84	81
Other long-term liabilities *(Note 14)*	934	1,013
	5,015	5,423
Total liabilities	**6,416**	**6,508**
Contingencies and Commitments (Notes 25, 26)		
Subsequent Events (Note 27)		
Excess of assets over liabilities *(Notes 17, 21)*	2,768	2,766
Total liabilities and excess of assets over liabilities	**9,184**	**9,274**

See accompanying notes to Financial Statements.

On behalf of the Board of Directors:

Philip Orsino
Chair, Audit Committee

Mayo Schmidt
Director

hydroOne

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

Year ended December 31 *(millions of Canadian dollars)*	2017	2016
Operating activities		
Net income	265	271
Environmental expenditures	(15)	(12)
Adjustments for non-cash items:		
Depreciation and amortization (excluding asset removal costs)	337	320
Regulatory assets and liabilities	172	(11)
Deferred income taxes	(44)	36
Other	5	4
Changes in non-cash balances related to operations *(Note 24)*	219	126
Net cash from operating activities	**939**	**734**
Financing activities		
Long-term debt issued	—	1,050
Long-term debt repaid	(195)	(200)
Payments to finance dividends and return on stated capital	(263)	(293)
Change in inter-company demand facility	92	(613)
Other	—	(5)
Net cash used in financing activities	**(366)**	**(61)**
Investing activities		
Capital expenditures *(Note 24)*		
Property, plant and equipment	(522)	(635)
Intangible assets	(56)	(38)
Other	(4)	7
Net cash used in investing activities	**(582)**	**(666)**
Net change in cash and cash equivalents	(9)	7
Cash and cash equivalents, beginning of year	9	2
Cash and cash equivalents, end of year	**—**	**9**

See accompanying notes to Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly-owned by Hydro One Limited. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Hydro One Networks Inc. (Hydro One Networks or the Company) was incorporated on March 4, 1999 under the *Business Corporations Act* (Ontario) and is a wholly owned subsidiary of Hydro One. The Company owns and operates regulated transmission and distribution businesses. The regulated distribution business (Distribution Business) operates a low-voltage electrical distribution network that distributes electricity from the transmission system, or directly from generators, to customers within Ontario. The Distribution Business is regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These Financial Statements are prepared and presented in accordance with the accounting policies summarized below and in Canadian dollars. These policies are consistent with United States (US) Generally Accepted Accounting Principles (GAAP), with the exception that business combinations of entities under common control have been accounted for as of the date of the transfer, such that (1) the Financial Statements were not prepared as though the transfer of entities under common control had occurred at the beginning of the year in which the transfer occurred and (2) the comparative year information has not been retrospectively adjusted.

These Financial Statements have been prepared for the specific use of the OEB and as a result, may not be suitable for any other purpose. Consolidated Financial Statements of Hydro One for the year ended December 31, 2017 have been prepared and are publicly available.

These Financial Statements have been prepared on a carve-out basis to provide the financial position, results of operations and cash flows of the Company's regulated Distribution Business on a basis approved by the OEB. The Financial Statements are considered by management to be a reasonable representation, prepared on a rational, systematic and consistent basis, of the financial results of the Company's Distribution Business. As a result of this basis of accounting, these Financial Statements may not necessarily be identical to the financial position and results of operations that would have resulted had the Distribution Business historically operated on a stand-alone basis.

The Financial Statements have been constructed primarily through specific identification of assets, liabilities (other than debt), revenues and expenses that relate to the Distribution Business. The Company's long-term debt is allocated based on the respective borrowing requirements of the Company's transmission and distribution businesses. A portion of the Company's shared functions and services costs is allocated to the Distribution Business on a fully allocated-cost basis, consistent with OEB-approved independent studies. Income tax expense has been recorded at effective rates based on income taxes as reported in the Statements of Operations and Comprehensive Income as though the Distribution Business was a separate taxpaying entity. However, income taxes paid and the deferred tax asset recognized by the Company in relation to the Company losing its exemption from tax under the Federal Tax Regime have been excluded as they represent transactions that are not included in the rate-setting process of the Distribution Business. Certain other amounts presented in these Financial Statements represent allocations subject to review and approval by the OEB.

Hydro One Networks performed an evaluation of subsequent events through to April 27, 2018, the date these Financial Statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these Financial Statements. See note 27 - Subsequent Events.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made, with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, post-retirement and post-employment benefits, asset retirement obligations, asset impairments, contingencies, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.

Rate Setting

In March 2015, the OEB approved Hydro One Networks' distribution revenue requirements of $1,326 million for 2015, $1,430 million for 2016 and $1,486 million for 2017. The OEB has subsequently approved updated revenue requirements of $1,410 million for 2016 and $1,415 million for 2017.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Distribution Business' regulatory assets represent 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 Distribution Business has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Distribution Business continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting future rates. If, at some future date, the Distribution Business judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations in the period that the assessment is made.

Revenue Recognition

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes. Distribution revenue also includes an amount relating to rate protection for rural, residential, and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB. Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Distribution Business' best estimate of losses on billed accounts receivable balances. The Distribution Business estimates the allowance for doubtful accounts on billed accounts receivable by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the billed accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The allowance for doubtful accounts is affected by changes in volume, prices and economic conditions.

Income Taxes

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

<u>Deferred Income Taxes</u>

Deferred income taxes are provided for using the liability method. Under this method, deferred income tax liabilities are recognized on all taxable temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for deductible temporary differences between tax bases and carrying amounts of assets and liabilities, the carry forward unused tax credits and tax losses to the extent that it is more-likely-than-not that these deductions, credits, and losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Statements of Operations and Comprehensive Income.

Management reassesses the deferred income tax assets at each balance sheet date and reduces the amount to the extent that it is more-likely-than-not that the deferred income tax asset will not be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Distribution Business records regulatory assets and liabilities associated with deferred income tax assets and liabilities that will be included in the rate-setting process.

The Distribution Business uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Inter-company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, and implicitly, by the regulated businesses of its subsidiaries. The balance in the inter-company demand facility represents the cumulative net effect of all deposits and withdrawals made by the Distribution Business to and from the pooled bank accounts. Interest is earned on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. Interest is charged on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Distribution Business' intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized financing costs are a reduction of financing charges recognized in the Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The most recent review resulted in changes to rates effective January 1, 2015 for Hydro One Networks' distribution business. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate	
	Service Life	Range	Average
Property, plant and equipment:			
Distribution	46 years	1% - 7%	2%
Communication	8 years	1% - 15%	10%
Administration and service	20 years	1% - 20%	6%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Acquisitions and Goodwill

The Company accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair value at the date of acquisition. Costs associated with pending acquisitions are expensed as incurred. Goodwill represents the cost of acquired companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

Based on assessment performed as at September 30, 2017, the Company has concluded that goodwill was not impaired at December 31, 2017.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

The carrying costs of most of the Distribution Business' long-lived assets are included in rate base 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. As at December 31, 2017 and 2016, no asset impairment had been recorded.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers its proportionate share of the relevant Hydro One external transaction costs related to obtaining debt financing and presents such amounts net of related debt on the Balance Sheets. Deferred debt issuance costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI and net income are presented in a single continuous Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 16 - Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

Hydro One closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships. Hydro One's derivative instruments, or portions thereof, are mirrored down to Hydro One Networks, and are allocated between the Company's transmission and distribution businesses. The derivative instruments are classified as fair value hedges or undesignated contracts, consistent with Hydro One's derivative instruments classification.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Balance Sheets. For derivative instruments that qualify for hedge accounting, Hydro One may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. Hydro One offsets fair value amounts recognized on its Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. Hydro One does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2017 or 2016.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. Hydro One also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Hydro One's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

Hydro One recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration costs in the Consolidated Statements of Operations and Comprehensive Income.

Defined Benefit Pension

Hydro One has a contributory defined benefit pension plan covering most regular employees of Hydro One and its subsidiaries, including Hydro One Networks. The Hydro One pension plan does not segregate assets in a separate account for individual subsidiaries, nor is the obligation of the pension plan allocated to, or funded separately by, entities within the consolidated group. Accordingly, for purposes of these Financial Statements, the pension plan is accounted for as a defined contribution plan and no pension benefit asset or liability is recorded.

Post-retirement and Post-employment Benefits

Hydro One has post-retirement and post-employment benefit plans covering all regular employees of Hydro One and its subsidiaries, including Hydro One Networks. The benefit obligations of these post-retirement and post-employment benefit plans are not segregated, or funded separately, for Hydro One Networks. Accordingly, for purposes of these Financial Statements, the post-retirement and post-employment benefit obligations are allocated to the Company based on base pensionable earnings.

The Company records a regulatory asset equal to its allocated share of Hydro One's incremental net unfunded projected benefit obligation for post-retirement and post-employment plans at each year end based on annual actuarial reports. The regulatory asset for the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans, in absence of regulatory accounting, would be recognized in AOCI. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process.

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active Hydro One employees in the plan and over the remaining life expectancy of inactive Hydro One employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the actuarial gains and losses that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

Stock-Based Compensation

Share Grant Plans

The Company measures share grant plans based on fair value of share grants as estimated based on the grant date Hydro One Limited common share price. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Costs are transferred from the regulatory asset to labour costs at the time the share grants vest and are issued, and are recovered in rates. Forfeitures are recognized as they occur.

Deferred Share Unit (DSU) Plans

The Company records the liabilities associated with the Directors' and Management DSU Plans at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on the Hydro One Limited common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures the restricted share units (RSUs) and performance share units (PSUs), issued under Hydro One Limited's LTIP, at fair value based on the grant date Hydro One Limited common share price. The related compensation expense is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Hydro One and its subsidiaries are involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of the Distribution Business' Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Distribution Business records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Distribution Business.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. The Distribution Business records a liability for the estimated future expenditures associated with contaminated land assessment and remediation and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Distribution Business expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Distribution Business' asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board that are applicable to Hydro One Networks:

Recently Adopted Accounting Guidance

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-06	March 2016	Contingent call (put) options that are assessed to accelerate the payment of principal on debt instruments need to meet the criteria of being "clearly and closely related" to their debt hosts.	January 1, 2017	No impact upon adoption

Recently Issued Accounting Guidance Not Yet Adopted

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2014-09 2015-14 2016-08 2016-10 2016-12 2016-20 2017-05 2017-10 2017-13 2017-14	May 2014 – November 2017	ASU 2014-09 was issued in May 2014 and provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2015-14 deferred the effective date of ASU 2014-09 by one year. Additional ASUs were issued in 2016 and 2017 that simplify transition and provide clarity on certain aspects of the new standard.	January 1, 2018	Hydro One Networks has completed the review of all its revenue streams and has concluded that there will be no material impact upon adoption.
2016-02 2018-01	February 2016 – January 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840.	January 1, 2019	An initial assessment is currently underway encompassing a review of existing leases, which will be followed by a review of relevant contracts. No quantitative determination has been made at this time. The Company is on track for implementation of this standard by the effective date.
2016-15	August 2016	The amendments provide guidance for eight specific cash flow issues with the objective of reducing the existing diversity in practice.	January 1, 2018	No material impact
2017-01	January 2017	The amendment clarifies the definition of a business and provides additional guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.	January 1, 2018	No material impact
2017-04	January 2017	The amendment removes the second step of the current two-step goodwill impairment test to simplify the process of testing goodwill.	January 1, 2020	Under assessment

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company's employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One Networks has applied for a regulatory deferral account to maintain the capitalization of OPEB related costs. As such, there will be no material impact.
2017-09	May 2017	Changes to the terms or conditions of a share-based payment award will require an entity to apply modified accounting unless the modified award meets all conditions stipulated in this ASU.	January 1, 2018	No impact
2017-11	July 2017	When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock.	January 1, 2019	Under assessment
2017-12	August 2017	Amendments will better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results.	January 1, 2019	Under assessment

4. BUSINESS COMBINATIONS

Haldimand Hydro Transfer

On August 31, 2016, the common shares of Haldimand County Utilities Inc. (Haldimand Hydro) were transferred to Hydro One Networks by Hydro One. The transfer was accounted as a non-monetary transfer, based on Haldimand Hydro's carrying values at August 31, 2016. On September 1, 2016, Haldimand Hydro started dissolution proceedings and, as a result, its net assets were transferred to Hydro One Networks.

The following table summarizes the assets and liabilities that were transferred to Hydro One Networks' Distribution Business at September 1, 2016:

(millions of dollars)	
Working capital	10
Property, plant and equipment	52
Intangible assets	1
Deferred tax assets	1
Goodwill	33
Inter-company demand facility	(18)
Regulatory liabilities	(3)
	76

Woodstock Hydro Transfer

On August 31, 2016, the common shares of Woodstock Hydro Holdings Inc. (Woodstock Hydro) were transferred to Hydro One Networks by Hydro One. The transfer was accounted as a non-monetary transfer, based on Woodstock Hydro's carrying values at August 31, 2016. On September 1, 2016, Woodstock Hydro started dissolution proceedings and, as a result, its net assets were transferred to Hydro One Networks.

The following table summarizes the assets and liabilities that were transferred to Hydro One Networks' Distribution Business at September 1, 2016:

(millions of dollars)	
Working capital	9
Property, plant and equipment	28
Deferred tax assets	2
Goodwill	22
Inter-company demand facility	(23)
Regulatory liabilities	(3)
Post-retirement and post-employment benefit liability	(1)
Other long-term liabilities	(1)
	33

5. DEPRECIATION AND AMORTIZATION

Year ended December 31 *(millions of dollars)*	2017	2016
Depreciation of property, plant and equipment	278	269
Asset removal costs	51	55
Amortization of intangible assets	44	39
Amortization of regulatory assets	15	12
	388	375

6. FINANCING CHARGES

Year ended December 31 *(millions of dollars)*	2017	2016
Interest on long-term debt *(Note 23)*	170	161
Interest on inter-company demand facility *(Note 23)*	2	4
Other	4	3
Less: Interest capitalized on construction and development in progress	(11)	(12)
	165	156

7. INCOME TAXES

Income tax expense 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 the effective tax rates is provided as follows:

Year ended December 31 *(millions of dollars)*	2017	2016
Income before income taxes	320	329
Income taxes at statutory rate of 26.5% (2016 - 26.5%)	85	87
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(15)	(12)
Pension contributions in excess of pension expense	(6)	(7)
Overheads capitalized for accounting but deducted for tax purposes	(7)	(7)
Interest capitalized for accounting but deducted for tax purposes	(3)	(3)
Environmental expenditures	(4)	(3)
Post-retirement and post-employment benefit expense in excess of cash payments	3	3
Other	1	(1)
Net temporary differences	(31)	(30)
Net permanent differences	1	1
Total income taxes	55	58

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	2017	2016
Current income taxes	99	22
Deferred income taxes	(44)	36
Total income taxes	55	58
Effective income tax rate	17.2%	17.6%

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates. Deferred income tax assets and liabilities arise from differences between the tax basis and the carrying amounts of the assets and liabilities. At December 31, 2017 and 2016, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	2017	2016
Deferred income tax assets (liabilities)		
Capital cost allowance in excess of depreciation and amortization	(808)	(740)
Regulatory amounts that are not recognized for tax purposes	(17)	(109)
Goodwill	(10)	(10)
Post-retirement and post-employment benefits expense in excess of cash payments	311	337
Environmental expenditures	30	34
Non-capital losses	1	1
Other	(6)	(5)
Total deferred income tax liabilities	(499)	(492)

8. ACCOUNTS RECEIVABLE

December 31 *(millions of dollars)*	2017	2016
Accounts receivable – billed	276	396
Accounts receivable – unbilled	341	425
Accounts receivable, gross	617	821
Allowance for doubtful accounts	(29)	(35)
Accounts receivable, net	588	786

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2017 and 2016:

Year ended December 31 *(millions of dollars)*	2017	2016
Allowance for doubtful accounts – beginning	(35)	(59)
Write-offs	25	35
Additions to allowance for doubtful accounts	(19)	(11)
Allowance for doubtful accounts – ending	(29)	(35)

9. OTHER CURRENT ASSETS

December 31 *(millions of dollars)*	2017	2016
Regulatory assets *(Note 12)*	22	24
Prepaid expenses and other assets	12	16
Materials and supplies	4	4
	38	44

10. PROPERTY, PLANT AND EQUIPMENT

December 31, 2017 *(millions of dollars)*	Property, Plant and Equipment[1]	Accumulated Depreciation	Construction in Progress	Total
Distribution	10,155	3,488	147	6,814
Communication	145	99	2	48
Administration and service	991	561	25	455
Easements	11	4	—	7
	11,302	4,152	174	7,324

[1] Includes future use assets totalling $57 million.

December 31, 2016 *(millions of dollars)*	Property, Plant and Equipment[1]	Accumulated Depreciation	Construction in Progress	Total
Distribution	9,607	3,281	242	6,568
Communication	135	81	—	54
Administration and service	1,057	621	32	468
Easements	11	3	—	8
	10,810	3,986	274	7,098

[1] Includes future use assets totalling $51 million.

Financing charges capitalized on property, plant and equipment under construction were $9 million in 2017 (2016 - $11 million).

11. INTANGIBLE ASSETS

December 31, 2017 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	428	201	23	250
Other	49	12	2	39
	477	213	25	289

December 31, 2016 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	384	177	30	237
Other	37	9	3	31
	421	186	33	268

Financing charges capitalized to intangible assets under development were $2 million in 2017 (2016 - $1 million). The estimated annual amortization expense for intangible assets is as follows: 2018 - $47 million; 2019 - $43 million; 2020 - $34 million; 2021 - $33 million; and 2022 - $32 million.

12. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. The Distribution Business has recorded the following regulatory assets and liabilities:

December 31 *(millions of dollars)*	2017	2016
Regulatory assets:		
Deferred income tax regulatory asset	513	462
Environmental	83	95
Stock-based compensation	20	17
Post-retirement and post-employment benefits	20	136
Distribution system code exemption	10	10
Retail settlement variance accounts	—	145
2015-2017 rate rider	—	7
Pension cost variance	—	8
Other	14	11
Total regulatory assets	660	891
Less: current portion	(22)	(24)
	638	867
Regulatory liabilities:		
Green Energy expenditure variance	60	69
Pension cost variance	13	—
2015-2017 rate rider	6	—
PST savings deferral	4	5
Other	12	7
Total regulatory liabilities	95	81
Less: current portion	(11)	—
	84	81

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The Distribution Business has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Distribution Business' income tax expense would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2017 income tax expense would have been higher by approximately $38 million (2016 - $31 million).

On September 28, 2017, the OEB issued its Decision and Order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements (Decision). In its Decision, the OEB concluded that the net deferred tax asset resulting from transition from the payments in lieu of tax regime under the Electricity Act (Ontario) to tax payments under the federal and provincial tax regime should not accrue entirely to Hydro One's shareholders and that a portion should be shared with ratepayers. On November 9, 2017, the OEB issued a Decision and Order that calculated the portion of the tax savings that should be shared with ratepayers. The OEB's calculation would result in an impairment of Hydro One Networks' transmission deferred income tax regulatory asset of up to approximately $515 million. If the OEB were to apply the same calculation for sharing in Hydro One Networks' 2018-2022 distribution rates, for which a decision is currently outstanding, it would result in an impairment of up to approximately $370 million related to Hydro One Networks' distribution deferred income tax regulatory asset. In October 2017, the Company filed a Motion to Review and Vary (Motion) the Decision and filed an appeal with the Divisional Court of Ontario (Appeal). On December 19, 2017, the OEB granted a hearing of the merits of the Motion which was held on February 12, 2018. In both cases, the Company's position is that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. The Appeal is being held in abeyance pending the outcome of the Motion. If the Decision is upheld, based on the facts known at this time, the exposure from the potential impairments would be a one-time decrease in net income of up to approximately $370 million. Based on the assumptions that the OEB applies established rate making principles in a manner consistent with its past practice and does not exercise its discretion to take other policy considerations into account, management is of the view that it is likely that the Company’s Motion will be granted and the aforementioned tax savings will be allocated to the benefit of Hydro One shareholders.

Environmental

The Distribution Business records a liability for the estimated future expenditures required to remediate environmental contamination. Because such expenditures are expected to be recoverable in future rates, the Company has recorded an equivalent amount as a regulatory asset. In 2017, the environmental regulatory asset increased by $2 million (2016 - decreased by $6 million) to reflect related changes in the Company’s PCB liability, and decreased by $3 million (2016 - $5 million) due to changes in the land assessment and remediation liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of the Distribution Business' actual environmental expenditures. In the absence of rate-regulated accounting, 2017 operation, maintenance and administration expenses would have been lower by $1 million (2016 - $11 million). In addition, 2017 amortization expense would have been lower by $15 million (2016 - $12 million), and 2017 financing charges would have been higher by $4 million (2016 - $4 million).

Post-Retirement and Post-Employment Benefits

The Distribution Business recognizes the net unfunded status of post-retirement and post-employment obligations on the Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2017 OCI would have been higher by $116 million (2016 - lower by $2 million).

Stock-Based Compensation

The Distribution Business recognizes costs associated with share grant plans in a regulatory asset as management considers it probable that share grant plans' costs will be recovered in the future through the rate-setting process. In the absence of rate-regulated accounting, 2017 operation, maintenance and administration expenses would have been higher by $4 million (2016 - $5 million). Share grant costs are transferred to labour costs at the time the share grants vest and are issued, and are recovered in rates in accordance with recovery of said labour costs.

Distribution System Code (DSC) Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the DSC, with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that identified specific expenditures can be recorded in a deferral account subject to the OEB's review in subsequent Hydro One Networks distribution applications. In March 2015, the OEB approved the disposition of the DSC exemption deferral account balance at December 31, 2013, including accrued interest, which was recovered through the 2015-2017 Rate Rider. In addition, the OEB also approved Hydro One's request to discontinue this deferral account. There were no additions to this regulatory account in 2017 or 2016. The remaining balance in this account at December 31, 2016, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application.

Retail Settlement Variance Account (RSVA)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In March 2015, the OEB approved the disposition of the total RSVA balance accumulated from January 2012 to December 2013, including accrued interest, to be recovered through the 2015-2017 Rate Rider.

2015-2017 Rate Rider

In March 2015, as part of its decision on Hydro One Networks' distribution rate application for 2015-2019, the OEB approved the disposition of certain deferral and variance accounts, including RSVAs and accrued interest. The 2015-2017 Rate Rider account included the balances approved for disposition by the OEB and was disposed of in accordance with the OEB decision over a 32-month period ended on December 31, 2017. The balance remaining in the account represents an over-collection to be returned to ratepayers in a future rate application. We have not requested recovery of the remaining balance of this account in the current distribution rate application.

Green Energy Expenditure Variance

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

Pension Cost Variance

A pension cost variance account was established for the Distribution Business to track the difference between the actual pension expenses incurred and estimated pension costs approved by the OEB. The balance in this regulatory account reflects the deficit of pension costs paid as compared to OEB-approved amounts. In September 2017, the OEB approved the disposition of the distribution business portion of the total pension cost variance account as at December 31, 2015, including accrued interest, which is being recovered over a two-year period ending December 31, 2018. In the absence of rate-regulated accounting, 2017 revenue would have been higher by $21 million (2016 - $15 million).

PST Savings Deferral Account

The provincial sales tax (PST) and goods and services tax (GST) were harmonized in July 2010. Unlike the GST, the PST was included in operation, maintenance and administration expenses or capital expenditures for past revenue requirements approved during a full cost-of-service hearing. Under the harmonized sales tax (HST) regime, the HST included in operation, maintenance and administration expenses or capital expenditures is not a cost ultimately borne by the Company and as such, a refund of the prior PST element in the approved revenue requirement is applicable, and calculations for tracking and refund were requested by the OEB. For Hydro One Networks' distribution revenue requirement, PST was included between July 1, 2010 and December 31, 2015 and recorded in a deferral account, as directed by the OEB. In March 2015, the OEB approved the disposition of the PST Savings Deferral account at December 31, 2013, including accrued interest, which will be recovered through the 2015-2017 Rate Rider.

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

December 31 *(millions of dollars)*	2017	2016
Accrued liabilities	562	529
Accounts payable	66	67
Accrued interest *(Note 23)*	40	42
Regulatory liabilities *(Note 12)*	11	—
	679	638

14. OTHER LONG-TERM LIABILITIES

December 31 *(millions of dollars)*	2017	2016
Post-retirement and post-employment benefit liability *(Note 18)*	838	906
Environmental liabilities *(Note 19)*	66	79
Long-term inter-company payable *(Note 23)*	18	14
Long-term accounts payable and other liabilities	8	10
Asset retirement obligations *(Note 20)*	4	4
	934	1,013

15. DEBT

Hydro One issues notes for long-term financing under its Medium-Term Note (MTN) Program. The terms of certain issuances are mirrored down to Hydro One Networks through the issuance of inter-company debt, and are allocated between the Company's transmission and distribution businesses. The following table presents long-term debt allocated to the Distribution Business outstanding at December 31, 2017 and 2016:

December 31 *(millions of dollars)*	2017	2016
Long-term debt	3,846	4,041
Add: Net unamortized debt premiums	8	8
Add: Unrealized mark-to-market gain[1]	(4)	(1)
Less: Deferred debt issuance costs	(15)	(16)
Less: Long-term debt payable within one year	(337)	(195)
Long-term debt	3,498	3,837

[1] The unrealized mark-to-market net gain relates to $30 million of notes due in 2020 and $200 million notes due in 2019. The unrealized mark-to-market net gain is offset by a $4 million (2016 - $1 million) unrealized mark-to-market net loss on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

In 2017, Hydro One did not issue any long-term debt. In 2016, Hydro One issued $2,300 million of long-term debt under its MTN Program, of which $2,290 million was mirrored down to Hydro One Networks and $1,050 million was allocated to the Company's Distribution Business.

In 2017, Hydro One repaid $600 million (2016 – $500 million) of maturing long-term debt under its MTN Program. On the same date, Hydro One Networks repaid inter-company debt of $600 million (2016 – $500 million) to Hydro One, of which $195 million (2016 – $200 million) was allocated to the Company's Distribution Business.

Principal and Interest Payments

Principal repayments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

Years to Maturity	Long-term Debt Principal Repayments *(millions of dollars)*	Weighted Average Interest Rate *(%)*
1 year	337	2.8
2 years	291	1.8
3 years	150	3.9
4 years	250	2.1
5 years	261	3.2
	1,289	2.6
6 – 10 years	245	3.0
Over 10 years	2,312	5.2
	3,846	4.2

Interest payment obligations related to long-term debt are summarized by year in the following table:

Year	Interest Payments *(millions of dollars)*
2018	162
2019	151
2020	145
2021	140
2022	132
	730
2023-2027	630
2028+	1,588
	2,948

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

The Company classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One Networks has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest-rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2017 and 2016, the carrying amounts of accounts receivable, due from related parties, inter-company demand facility, accounts payable, and due to related parties are representative of fair value due to the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Distribution Business' long-term debt at December 31, 2017 and 2016 are as follows:

December 31 *(millions of dollars)*	2017 Carrying Value	2017 Fair Value	2016 Carrying Value	2016 Fair Value
$30 million notes due 2020	29	29	30	30
$200 million notes due 2019	197	197	199	199
Other notes and debentures	3,609	4,159	3,803	4,291
Long-term debt, including current portion	3,835	4,385	4,032	4,520

Fair Value Measurements of Derivative Instruments

Hydro One enters into interest-rate swaps agreements with respect to its long-term debt. The terms of certain of these interest-rate swap agreements are mirrored down to Hydro One Networks, and are allocated between the Company's transmission and distribution businesses.

At December 31, 2017, the Distribution Business' share of the Company's derivative instruments include $230 million (2016 – $230 million) of interest-rate swaps that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. The Distribution Business' fair value hedge exposure was approximately 6% (2016 – 6%) of its total long-term debt. At December 31, 2017, the Distribution Business' interest-rate swaps designated as fair value hedges were as follows:

- a $30 million fixed-to-floating interest-rate swap agreement to convert $30 million of the $350 million notes maturing April 30, 2020 into three-month variable rate debt; and
- $200 million fixed-to-floating interest-rate swap agreements to convert the $200 million notes maturing November 18, 2019 into three-month variable rate debt.

At December 31, 2017 and 2016, the Company had no interest-rate swaps classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2017 and 2016 is as follows:

December 31, 2017 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Inter-company demand facility	167	167	167	—	—
Long-term debt, including current portion	3,835	4,385	—	4,385	—
Derivative instruments					
Fair value hedges – interest-rate swaps	4	4	—	4	—
	4,006	4,556	167	4,389	—

December 31, 2016 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	9	9	9	—	—
	9	9	9	—	—
Liabilities:					
Inter-company demand facility	74	74	74	—	—
Long-term debt, including current portion	4,032	4,520	—	4,520	—
Derivative instruments					
Fair value hedges – interest-rate swaps	1	1	—	1	—
	4,107	4,595	74	4,521	—

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no transfers between any of the fair value levels during the years ended December 31, 2017 or 2016.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss which results from changes in costs, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates, as its regulated return on equity is derived using a formulaic approach that takes anticipated interest rates into account. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments to lock in interest-rate levels in anticipation of future financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Distribution Business' net income for the years ended December 31, 2017 and 2016.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Statements of Operations and Comprehensive Income. The Distribution Business' net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2017 and 2016 was not material.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2017 and 2016, there were no significant concentrations of credit risk with respect to any class of financial assets. The Distribution Business' revenue is earned from a broad base of customers. As a result, the Distribution Business did not earn a material amount of revenue from any single customer. At December 31, 2017 and 2016, there was no material accounts receivable balance due from any single customer.

At December 31, 2017, the Company's provision for bad debts was $29 million (2016 – $35 million). Adjustments and write-offs are determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2017, approximately 5% (2016 – 6%) of the Distribution Business' net accounts receivable were outstanding for more than 60 days.

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highly rated counterparties; limiting total exposure levels with individual counterparties; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. Hydro One monitors current credit exposure to counterparties both on an individual and an aggregate basis. The Company's counterparty credit risk profile is consistent with Hydro One. The Distribution Business' credit risk for accounts receivable is limited to the carrying amounts on the Balance Sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At December 31, 2017 and 2016, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not material. At December 31, 2017, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the counterparties.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One Networks meets its short-term liquidity requirements through the inter-company demand facility with Hydro One and funds from operations. The short-term liquidity available to the Company is expected to be sufficient to fund normal operating requirements.

17. CAPITAL MANAGEMENT

The Distribution Business' 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 appropriate financial returns. At December 31, 2017 and 2016, the Distribution Business' capital structure was as follows:

December 31 *(millions of dollars)*	2017	2016
Long-term debt payable within one year	337	195
Inter-company demand facility	167	74
Less: cash and cash equivalents	—	9
	504	260
Long-term debt	3,498	3,837
Excess of assets over liabilities	2,768	2,766
Total capital	6,770	6,863

The following table shows the movements in the excess of assets over liabilities for the years ended December 31, 2017 and 2016:

Year ended December 31 *(millions of dollars)*	2017	2016
Excess of assets over liabilities - beginning	2,766	2,679
Net income	265	271
Payments to Hydro One to finance dividends and return of stated capital	(263)	(293)
Transfers *(Note 4)*	—	109
Excess of assets over liabilities - ending	2,768	2,766

18. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan (Pension Plan), a defined contribution pension plan (DC Plan), a supplemental pension plan (Supplemental Plan), and post-retirement and post-employment benefit plans.

DC Plan

Hydro One established a DC Plan effective January 1, 2016. The DC Plan covers eligible management employees hired on or after January 1, 2016, as well as management employees hired before January 1, 2016 who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. Members of the DC Plan have an option to contribute 4%, 5% or 6% of their pensionable earnings, with matching contributions by Hydro One.

Hydro One Networks contributions to the DC Plan for the year ended December 31, 2017 were less than $1 million (2016 - less than $1 million). At December 31, 2017 and 2016, Company contributions payable included in accrued liabilities on the Balance Sheets were not significant.

Pension Plan and Supplemental Plan

The Pension Plan is a defined benefit contributory plan which covers eligible regular employees of Hydro One and its subsidiaries. The Pension Plan provides benefits based on highest three-year average pensionable earnings. For management employees who commenced employment on or after January 1, 2004, and for The Society of Energy Professionals (The Society)-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation. Membership in the Pension Plan was closed to management employees who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. These employees are eligible to join the DC Plan.

Hydro One and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Annual Pension Plan contributions for 2017 of $87 million (2016 - $108 million) were based on an actuarial valuation effective December 31, 2016 (2016 - based on an actuarial valuation effective December 31, 2015) and the level of pensionable earnings. Estimated annual Pension Plan contributions for 2018 and 2019 are approximately $71 million for each year based on the actuarial valuation as at December 31, 2016 and projected levels of pensionable earnings. Future minimum contributions beyond 2019 will be based on an actuarial valuation effective no later than December 31, 2019. Contributions are payable one month in arrears. All of the contributions are expected to be in the form of cash.

The Supplemental Plan provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan but for limitations imposed by the *Income Tax Act* (Canada). The Supplemental Plan obligation is included with other post-retirement and post-employment benefit obligations on the Balance Sheets.

At December 31, 2017, the present value of Hydro One's projected pension benefit obligation was estimated to be $8,258 million (2016 - $7,774 million). The fair value of pension plan assets available for these benefits was $7,277 million (2016 - $6,874 million).

Post-Retirement and Post-Employment Plans

During the year ended December 31, 2017, the Distribution Business charged $35 million (2016 - $33 million) of post-retirement and post-employment benefit costs to operation, and capitalized $35 million (2016 - $35 million) as part of the cost of property, plant and equipment and intangible assets. Benefits paid in 2017 were $24 million (2016 - $24 million). In addition, the associated post-retirement and post-employment benefits regulatory asset was decreased by $116 million (2016 - increased by $2 million).

The Distribution Business presents its post-retirement and post-employment benefit liabilities on its Balance Sheets as follows:

December 31 *(millions of dollars)*	2017	2016
Accrued liabilities	26	28
Post-retirement and post-employment benefit liability	838	906
Net unfunded status	864	934

19. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2017 and 2016:

Year ended December 31, 2017 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities - beginning	66	29	95
Interest accretion	3	1	4
Expenditures	(10)	(5)	(15)
Revaluation adjustment	2	(3)	(1)
Environmental liabilities - ending	61	22	83
Less: current portion	(12)	(5)	(17)
	49	17	66

Year ended December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities - beginning	77	37	114
Interest accretion	3	1	4
Expenditures	(8)	(4)	(12)
Revaluation adjustment	(6)	(5)	(11)
Environmental liabilities - ending	66	29	95
Less: current portion	(10)	(6)	(16)
	56	23	79

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Balance Sheets after factoring in the discount rate:

December 31, 2017 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	64	23	87
Less: discounting environmental liabilities to present value	(3)	(1)	(4)
Discounted environmental liabilities	61	22	83

December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	73	29	102
Less: discounting environmental liabilities to present value	(7)	—	(7)
Discounted environmental liabilities	66	29	95

At December 31, 2017, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2018	17
2019	14
2020	16
2021	15
2022	13
Thereafter	12
	87

The Distribution Business records a liability for the estimated future expenditures for land assessment and remediation and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated.

There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Distribution Business' environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures.

PCBs

The Environment Canada regulations, enacted under the *Canadian Environmental Protection Act, 1999*, govern the management, storage and disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under current regulations, Hydro One's PCBs have to be disposed of by the end of 2025, with the exception of specifically exempted equipment. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Distribution Business' best estimate of the total estimated future expenditures to comply with current PCB regulations is $64 million (2016 - $73 million). These expenditures are expected to be incurred over the period from 2018 to 2025. As a result of its annual review of environmental liabilities, the Distribution Business recorded a revaluation adjustment in 2017 to increase the PCB environmental liability by $2 million (2016 - decrease by $6 million).

Land Assessment and Remediation

The Distribution Business' best estimate of the total estimated future expenditures to complete its land assessment and remediation program is $22 million (2016 - $29 million). These expenditures are expected to be incurred over the period from 2018 to 2023. As a result of its annual review of environmental liabilities, the Distribution Business recorded a revaluation adjustment in 2017 to reduce the land assessment and remediation environmental liability by $3 million (2016 - $5 million).

20. ASSET RETIREMENT OBLIGATIONS

Hydro One Networks records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities. Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an asset retirement obligation is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as asset retirement obligations, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Distribution Business' asset retirement obligations represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Asset retirement obligations are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2017, Hydro One Networks had recorded asset retirement obligations of $4 million (2016 - $4 million) related to its Distribution Business, primarily consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal.

21. HYDRO ONE NETWORKS' SHARE CAPITAL

Hydro One Networks is authorized to issue an unlimited number of common and preferred shares. At December 31, 2017 and 2016, Hydro One Networks had 207,577,181 common shares issued and outstanding and no preferred shares issued and outstanding.

During 2017, Hydro One Networks declared common share dividends in the amount of $2 million (2016 – $2 million) and made a return of stated capital of $509 million (2016 – $609 million) to Hydro One. The amount allocated to the Distribution Business to finance these dividends and return of stated capital was $263 million (2016 – $293 million).

22. STOCK-BASED COMPENSATION

The following compensation plans were established by Hydro One Limited, however they represent components of compensation costs of Hydro One and its subsidiaries, including Hydro One Networks, in current and future periods.

Share Grant Plans

Hydro One Limited has two share grant plans (Share Grant Plans), one for the benefit of certain members of the PWU (PWU Share Grant Plan) and one for the benefit of certain members of The Society (Society Share Grant Plan).

The PWU Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of the PWU annually, commencing on April 1, 2017 and continuing until the earlier of April 1, 2028 or the date an eligible employee no longer meets the eligibility criteria of the PWU Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on April 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. The requisite service period for the PWU Share Grant Plan began on July 3, 2015, which is the date the share grant plan was ratified by the PWU. The number of common shares issued annually to each eligible employee will be equal to 2.7% of such eligible employee's salary as at April 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the IPO. The aggregate number of common shares issuable under the PWU Share Grant Plan shall not exceed 3,981,763 common shares. In 2015, 2,152,519 Hydro One Limited common shares were granted under the PWU Share Grant Plan relevant to the total share based compensation recognized by the Distribution Business.

The Society Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of The Society annually, commencing on April 1, 2018 and continuing until the earlier of April 1, 2029 or the date an eligible employee no longer meets the eligibility criteria of the Society Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on September 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. Therefore the requisite service period for the Society Share Grant Plan began on September 1, 2015. The number of common shares issued annually to each eligible employee will be equal to 2.0% of such eligible employee's salary as at September 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the IPO. The aggregate number of common shares issuable under the Society Share Grant Plan shall not exceed 1,434,686 common shares. In 2015, 743,877 Hydro One Limited common shares were granted under the Society Share Grant Plan relevant to the total share based compensation recognized by the Distribution Business.

The fair value of the Hydro One Limited 2015 share grants to employees of Hydro One Networks and allocated to the Distribution Business was $59 million. The fair value was estimated based on the grant date Hydro One Limited share price of $20.50 and is recognized using the graded-vesting attribution method as the share grant plans have both a performance condition and a service condition. In 2017, 186,489 common shares were granted under the Share Grant Plans (2016 - $nil) to eligible employees of Hydro One Networks and allocated to the Distribution Business. Total stock-based compensation recognized by the Distribution Business during 2017 was $8 million (2016 - $12 million) and was recorded as a regulatory asset.

A summary of the Distribution Business' share grant activity under the Share Grant Plans during 2017 and 2016 is presented below:

Year ended December 31, 2017	Share Grants *(number of common shares)*	Weighted-Average Price
Share grants outstanding - beginning	2,853,079	$20.50
Vested and issued[1]	(186,489)	—
Forfeited	(67,420)	$20.50
Share grants outstanding - ending	2,599,170	$20.50

[1] On April 1, 2017, Hydro One Limited issued from treasury 186,489 common shares to eligible Hydro One Networks employees, which were allocated to the Distribution Business, in accordance with provisions of the PWU Share Grant Plan.

Year ended December 31, 2016	Share Grants *(number of common shares)*	Weighted-Average Price
Share grants outstanding - beginning	2,869,396	$20.50
Forfeited[1]	(43,317)	$20.50
Share grants outstanding - ending	2,826,079	$20.50

[1]Includes shares forfeited as well as shares transferred corresponding to transfer of employees between affiliate companies.

Directors' DSU Plan

Under the Directors' DSU Plan, directors can elect to receive credit for their annual cash retainer in a notional account of DSUs in lieu of cash. Hydro One Limited's Board of Directors may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled. Each DSU represents a unit with an underlying value equivalent to the value of one Hydro One Limited common share and is entitled to accrue Hydro One Limited common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One Limited's Board of Directors.

During 2017 and 2016, Directors' DSU Plan awards granted by Hydro One Limited that related to Hydro One Networks' Distribution Business were as follows:

Year ended December 31 *(number of DSUs)*	2017	2016
DSUs outstanding - beginning	53,481	11,079
DSUs granted	20,787	42,402
DSUs outstanding - ending	74,268	53,481

For the year ended December 31, 2017, an expense of $nil (2016 - $1 million) was recognized in earnings by the Distribution Business with respect to the Directors' DSU Plan. At December 31, 2017, a liability of $1 million (2016 - $1 million), related to outstanding DSUs has been recorded at the closing price of Hydro One Limited's common shares of $22.40 and is included in long-term accounts payable and other liabilities on the Balance Sheets.

Management DSU Plan

Under the Management DSU Plan, eligible employees can elect to receive a specified proportion of their annual short-term incentive in a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equivalent to the value of one common share of Hydro One Limited and is entitled to accrue common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One Limited's Board of Directors.

During 2017 and 2016, Management DSU Plan awards granted by Hydro One Limited that related to Hydro One Networks' Distribution Business were as follows:

Year ended December 31 *(number of DSUs)*	2017	2016
DSUs outstanding - beginning	—	—
Granted	25,601	—
Paid	(439)	—
DSUs outstanding - ending	25,162	—

For the year ended December 31, 2017, an expense of $1 million (2016 - $nil) was recognized in earnings by the Distribution Business with respect to the Management DSU Plan. At December 31, 2017, a liability of $1 million (2016 - $nil) related to outstanding DSUs has been recorded at the closing price of Hydro One Limited common shares of $22.40 and is included in long-term accounts payable and other liabilities on the Balance Sheets.

Employee Share Ownership Plan

In 2015, Hydro One Limited established Employee Share Ownership Plans (ESOP) for certain eligible management and non-represented employees (Management ESOP) and for certain eligible Society-represented staff (Society ESOP). Under the Management ESOP, the eligible management and non-represented employees may contribute between 1% and 6% of their base salary towards purchasing common shares of Hydro One Limited. The Company matches 50% of their contributions, up to a maximum Company contribution of $25,000 per calendar year. Under the Society ESOP, the eligible Society-represented staff may contribute between 1% and 4% of their base salary towards purchasing common shares of Hydro One Limited. The Company matches 25% of their contributions, with no maximum Company contribution per calendar year. In 2017, Company contributions made under the ESOP for the Distribution Business were $1 million (2016 - $1 million).

LTIP

Effective August 31, 2015, the Board of Directors of Hydro One Limited adopted an LTIP. Under the LTIP, long-term incentives are granted to certain executive and management employees of Hydro One Limited and its subsidiaries, and all equity-based awards will be settled in newly issued shares of Hydro One Limited from treasury, consistent with the provisions of the plan. The aggregate number of shares issuable under the LTIP shall not exceed 11,900,000 shares of Hydro One Limited.

The LTIP provides flexibility to award a range of vehicles, including RSUs, PSUs, stock options, share appreciation rights, restricted shares, deferred share units and other stock-based awards. The mix of vehicles is intended to vary by role to recognize the level of executive accountability for overall business performance.

During 2017 and 2016, LTIP awards granted by Hydro One Limited that related to Hydro One Networks' Distribution Business were as follows:

	PSUs		RSUs	
Year ended December 31 *(number of units)*	2017	2016	2017	2016
Units outstanding - beginning	74,063	—	83,394	—
Units granted	118,467	77,348	96,697	86,679
Units vested	(276)	—	(7,054)	—
Units forfeited	(23,764)	(3,285)	(21,547)	(3,285)
Units outstanding - ending	168,490	74,063	151,490	83,394

The grant date total fair value of the awards granted in 2017 was $5 million (2016 - $4 million). The compensation expense related to these awards recognized by the Distribution Business during 2017 was $2 million (2016 - $1 million).

23. RELATED PARTY TRANSACTIONS

The Distribution Business is a separately regulated business of Hydro One Networks which is indirectly owned by Hydro One Limited. The Province is a shareholder of Hydro One Limited with approximately 47.4% ownership at December 31, 2017. The IESO, Ontario Power Generation Inc. (OPG), OEFC, and the OEB, are related parties to Hydro One Networks because they are controlled or significantly influenced by the Province.

Year ended December 31 *(millions of dollars)*

Related Party	Transaction	2017	2016
IESO	Power purchased	1,583	2,044
	Amounts related to electricity rebates	357	—
	Distribution revenues related to rural rate protection	247	125
	Funding received related to Conservation and Demand Management programs	59	63
OPG	Power purchased	9	6
OEFC	Power purchased from power contracts administered by the OEFC	2	1
OEB	OEB fees	5	6
Hydro One Brampton[1]	Revenues from management, administrative and smart meter network services	—	3
Hydro One Limited and its subsidiaries[2]	Revenues for services provided	1	4
	Services received - costs expensed	16	15
	Interest expense on long-term debt	170	161
	Interest expense on inter-company demand facility	2	4
	Payments to finance dividends and return of stated capital	263	293
	Stock-based compensation costs	10	13

[1] On February 28, 2017, Hydro One Brampton was acquired by Alectra Inc. from the Province, and as such, effective this date, Hydro One Brampton is no longer a related party to Hydro One.

[2] In 2016, Hydro One transferred the assets and liabilities of Haldimand Hydro and Woodstock Hydro to Hydro One Networks' Distribution Business. See note 4.

The amounts due to and from related parties at December 31, 2017 and 2016 are as follows:

December 31 *(millions of dollars)*	2017	2016
Inter-company demand facility	(167)	(74)
Due from related parties	138	33
Due to related parties	(218)	(178)
Accrued interest	(40)	(42)
Long-term inter-company payable	(18)	(14)
Long-term debt, including current portion	(3,835)	(4,032)

24. STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 *(millions of dollars)*	2017	2016
Accounts receivable	198	(48)
Due from related parties	(105)	27
Materials and supplies	—	2
Other assets	4	(8)
Accounts payable	10	(1)
Accrued liabilities	32	50
Due to related parties	40	50
Accrued interest	(2)	6
Long-term accounts payable and other liabilities	(6)	7
Post-retirement and post-employment benefit liability	48	41
	219	126

Capital Expenditures

The following table reconciles investments in property, plant and equipment and the amounts presented in the Statements of Cash Flows after accounting for capitalized depreciation and the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2017	2016
Capital investments in property, plant and equipment	(537)	(655)
Capitalized depreciation and net change in accruals included in capital investments in property, plant and equipment	15	20
Cash outflow for capital expenditures – property, plant and equipment	(522)	(635)

The following table reconciles investments in intangible assets and the amounts presented in the Statements of Cash Flows after accounting for the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2017	2016
Capital investments in intangible assets	(48)	(44)
Net change in accruals included in capital investments in intangible assets	(8)	6
Cash outflow for capital expenditures – intangible assets	(56)	(38)

Supplementary Information

Year ended December 31 *(millions of dollars)*	2017	2016
Net interest paid	172	155
Income taxes paid	16	10

25. CONTINGENCIES

Hydro One Networks is involved in various lawsuits and claims 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, results of operations or cash flows.

Hydro One and certain of its subsidiaries, including Hydro One Networks, are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. The plaintiff's motion for certification was dismissed by the court on November 28, 2017, but the plaintiff has appealed the court's decision, and it is likely that no decision will be rendered by the appeal court until the second half of 2018. At this time, an estimate of a possible loss related to this claim cannot be made.

The Company is a wholly owned subsidiary of Hydro One. As such, the assets of the Distribution Business are available to satisfy the debts, contingent liabilities and commitments of both the Company and Hydro One.

26. COMMITMENTS

The Company and Hydro One have numerous commitments. These commitments have not been specifically allocated to the Distribution Business. However, the assets of the Distribution Business are available to satisfy the commitments of both the Company and Hydro One.

27. SUBSEQUENT EVENTS

Payments to Finance Dividends and Return of Stated Capital

On February 12, 2018, Hydro One Networks declared common share dividends in the amount of $1 million, and a return of stated capital in the amount of $131 million was approved. The amount allocated to the Distribution Business to finance these payments was $81 million.

HYDRO ONE NETWORKS INC.

DISTRIBUTION BUSINESS

FINANCIAL STATEMENTS

DECEMBER 31, 2016

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
INDEPENDENT AUDITORS' REPORT

To the Directors of Hydro One Networks Inc.

We have audited the accompanying carve-out financial statements of the Distribution Business (a business of Hydro One Networks Inc.), which comprise the carve-out balance sheet as at December 31, 2016, the carve-out statements of operations and comprehensive income, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The carve-out financial statements have been prepared by management in accordance with the basis of accounting in Note 2 to the carve-out financial statements.

Management's Responsibility for the Carve-out Financial Statements

Management of Hydro One Networks Inc. is responsible for the preparation of these carve-out financial statements in accordance with the basis of accounting in Note 2 to the carve-out financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these carve-out financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of carve-out 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 carve-out 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 carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the carve-out 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 carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements as at and for the year ended December 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting in Note 2 to the carve-out financial statements.

Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 2 to the carve-out financial statements, which describes the basis of preparation used in these carve-out financial statements. In particular, in preparing the carve-out financial statements, long-term debt, shared functions and service costs, and income taxes have been allocated to the Distribution Business (a business of Hydro One Networks Inc.) using the method of allocation described in Note 2 to the carve-out financial statements. As a result, the carve-out financial statements may not necessarily be identical to the balance sheet, results of operations and cash flows that would have resulted had the Distribution Business (a business of Hydro One Networks Inc.) historically operated on a stand-alone basis. The carve-out financial statements are prepared to assist Hydro One Networks Inc. to comply with its reporting requirements of the Ontario Energy Board. As a result, the carve-out financial statements may not be suitable for another purpose.

Our report is intended solely for the Directors of Hydro One Networks Inc. and the Ontario Energy Board and should not be used by parties other than Hydro One Networks Inc. or the Ontario Energy Board.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
April 12, 2017

hydroOne

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015

Year ended December 31 *(millions of Canadian dollars)*	2016	2015
Revenues		
Energy sales	4,609	4,305
Rural rate protection *(Note 23)*	125	125
Other	58	45
	4,792	4,475
Costs		
Purchased power *(Note 23)*	3,365	3,087
Operation, maintenance and administration *(Note 23)*	567	574
Depreciation and amortization *(Note 5)*	375	360
	4,307	4,021
Income before financing charges and income taxes	**485**	**454**
Financing charges *(Notes 6, 23)*	156	146
Income before income taxes	**329**	**308**
Income taxes *(Notes 7, 23)*	58	51
Net income	**271**	**257**
Other comprehensive income	–	–
Comprehensive income	**271**	**257**

See accompanying notes to Financial Statements.

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
BALANCE SHEETS
At December 31, 2016 and 2015

December 31 *(millions of Canadian dollars)*	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	9	2
Accounts receivable *(Note 8)*	786	716
Due from related parties *(Note 23)*	33	60
Other current assets *(Note 9)*	44	50
	872	828
Property, plant and equipment *(Note 10)*	7,098	6,663
Other long-term assets:		
Regulatory assets *(Note 12)*	867	829
Intangible assets *(Note 11)*	268	257
Goodwill	168	113
Other assets	1	1
	1,304	1,200
Total assets	**9,274**	**8,691**
Liabilities		
Current liabilities:		
Inter-company demand facility *(Note 23)*	74	642
Long-term debt payable within one year *(Notes 15, 23)*	195	200
Accounts payable and other current liabilities *(Note 13)*	638	574
Due to related parties *(Note 23)*	178	128
	1,085	1,544
Long-term liabilities:		
Long-term debt *(Notes 15, 23)*	3,837	2,987
Deferred income tax liabilities *(Note 7)*	492	426
Regulatory liabilities *(Note 12)*	81	83
Other long-term liabilities *(Note 14)*	1,013	972
	5,423	4,468
Total liabilities	**6,508**	**6,012**
Contingencies and Commitments (Notes 25, 26)		
Subsequent Events (Note 27)		
Excess of assets over liabilities *(Notes 17, 21)*	2,766	2,679
Total liabilities and excess of assets over liabilities	**9,274**	**8,691**

See accompanying notes to Financial Statements.

On behalf of the Board of Directors:

Philip Orsino
Chair, Audit Committee

Mayo Schmidt
Director

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

Year ended December 31 *(millions of Canadian dollars)*	2016	2015
Operating activities		
Net income	271	257
Environmental expenditures	(12)	(11)
Adjustments for non-cash items:		
Depreciation and amortization (excluding removal costs)	320	301
Regulatory assets and liabilities	(11)	(65)
Deferred income taxes	36	(12)
Other	4	3
Changes in non-cash balances related to operations *(Note 24)*	126	235
Net cash from operating activities	734	708
Financing activities		
Long-term debt issued	1,050	30
Long-term debt retired	(200)	(220)
Payments to finance dividends and return on stated capital	(293)	(240)
Change in inter-company demand facility	(613)	384
Other	(5)	(3)
Net cash used in financing activities	(61)	(49)
Investing activities		
Capital expenditures *(Note 24)*		
Property, plant and equipment	(635)	(634)
Intangible assets	(38)	(24)
Other	7	1
Net cash used in investing activities	(666)	(657)
Net change in cash and cash equivalents	7	2
Cash and cash equivalents, beginning of year	2	–
Cash and cash equivalents, end of year	**9**	**2**

See accompanying notes to Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One) was incorporated on December 1, 1998, under the Business Corporations Act (Ontario) and was wholly owned by the Province of Ontario (the Province) until October 31, 2015. On October 31, 2015, Hydro One Limited, a wholly owned subsidiary of the Province, acquired all issued and outstanding shares of Hydro One from the Province. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Hydro One Networks Inc. (Hydro One Networks or the Company) was incorporated on March 4, 1999 under the *Business Corporations Act* (Ontario) and is a wholly owned subsidiary of Hydro One. The Company owns and operates regulated transmission and distribution businesses. The regulated distribution business (Distribution Business) operates a low-voltage electrical distribution network that distributes electricity from the transmission system, or directly from generators, to customers within Ontario. The Distribution Business is regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These Financial Statements are prepared and presented in accordance with the accounting policies summarized below and in Canadian dollars. These policies are consistent with United States (US) Generally Accepted Accounting Principles (GAAP), with the exception that business combinations of entities under common control have been accounted for as of the date of the transfer, such that (1) the Financial Statements were not prepared as though the transfer of entities under common control had occurred at the beginning of the year in which the transfer occurred and (2) the comparative year information has not been retrospectively adjusted.

These Financial Statements have been prepared for the specific use of the OEB and as a result, may not be suitable for any other purpose. Consolidated Financial Statements of Hydro One for the year ended December 31, 2016 have been prepared and are publicly available.

These Financial Statements have been prepared on a carve-out basis to provide the financial position, results of operations and cash flows of the Company's regulated Distribution Business on a basis approved by the OEB. The Financial Statements are considered by management to be a reasonable representation, prepared on a rational, systematic and consistent basis, of the financial results of the Company's Distribution Business. As a result of this basis of accounting, these Financial Statements may not necessarily be identical to the financial position and results of operations that would have resulted had the Distribution Business historically operated on a stand-alone basis.

The Financial Statements have been constructed primarily through specific identification of assets, liabilities (other than debt), revenues and expenses that relate to the Distribution Business. The Company's long-term debt is allocated based on the respective borrowing requirements of the Company's transmission and distribution businesses. A portion of the Company's shared functions and services costs is allocated to the Distribution Business on a fully allocated-cost basis, consistent with OEB-approved independent studies. Income tax expense has been recorded at effective rates based on income taxes as reported in the Statements of Operations and Comprehensive Income as though the Distribution Business was a separate taxpaying entity. However, income taxes paid and the deferred tax asset recognized by the Company in relation to the Company losing its exemption from tax under the Federal Tax Regime have been excluded as they represent transactions that are not included in the rate-setting process of the Distribution Business. Certain other amounts presented in these Financial Statements represent allocations subject to review and approval by the OEB.

Hydro One Networks performed an evaluation of subsequent events through to April 12, 2017, the date these Financial Statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these financial statements. See note 27 – Subsequent Events.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, post-retirement and post-employment benefits, asset retirement obligations, goodwill and asset impairments, contingencies, unbilled revenues, allowance for doubtful accounts, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.

Rate Setting

In March 2015, the OEB approved Hydro One Networks' distribution revenue requirements of $1,326 million for 2015, $1,430 million for 2016 and $1,486 million for 2017. The OEB subsequently approved updated revenue requirements of $1,410 million for 2016 and $1,415 million for 2017.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Distribution Business' regulatory assets 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 Distribution Business has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Distribution Business continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting of future rates. If, at some future date, the Distribution Business judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations in the period that the assessment is made.

Revenue Recognition

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes. Distribution revenue also includes an amount relating to rate protection for rural, residential and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB. Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Distribution Business' best estimate of losses on billed accounts receivable balances. The Distribution Business estimates the allowance for doubtful accounts on customer receivables by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The existing allowance for doubtful accounts will continue to be affected by changes in volume, prices and economic conditions.

Income Taxes

Prior to October 31, 2015, Hydro One Networks was exempt from tax under the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) (Federal Tax Regime). However, under the *Electricity Act*, Hydro One Networks was required to make payments in lieu of tax (PILs) to the Ontario Electricity Financial Corporation (OEFC) (PILs Regime). The PILs were, in general, based on the amount of tax that Hydro One Networks would otherwise be liable to pay under the Federal Tax Regime if it was not exempt from taxes under those statutes. On October 31, 2015, Hydro One Networks' exemption from tax under the Federal Tax Regime ceased to apply. Upon exiting the PILs Regime, Hydro One Networks is required to make corporate income tax payments to the Canada Revenue Agency (CRA) under the Federal Tax Regime.

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Deferred income taxes are recognized based on the estimated future tax consequences attributable to temporary differences between the carrying amount of assets and liabilities in the Financial Statements and their corresponding tax bases.

Deferred income tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized to the extent that it is more-likely-than-not that these assets will be realized from taxable income available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Statements of Operations and Comprehensive Income.

If management determines that it is more-likely-than-not that some or all of a deferred income tax asset will not be realized, a valuation allowance is recorded against the deferred income tax asset to report the net balance at the amount expected to be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Distribution Business records regulatory assets and liabilities associated with deferred income taxes that will be included in the rate-setting process.

The Distribution Business uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Inter-company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, and implicitly, by the regulated businesses of its subsidiaries. The balance in the inter-company demand facility represents the cumulative net effect of all deposits and withdrawals made by the Distribution Business to and from the pooled bank accounts. Interest is earned on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. Interest is charged on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

<u>Administration and Service</u>

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Distribution Business' intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized financing costs are a reduction of financing charges recognized in the Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

Hydro One periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The last review resulted in changes to rates effective January 1, 2015. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average Service Life	Rate Range	Rate Average
Property, plant and equipment:			
Distribution	46 years	1% – 7%	2%
Communication	8 years	1% – 15%	12%
Administration and service	18 years	1% – 20%	7%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Goodwill

Goodwill represents the cost of acquired local distribution companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

For the year ended December 31, 2016, based on the qualitative assessment performed as at September 30, 2016, the Company has determined that it is not more-likely-than-not that the fair value of each applicable reporting unit assessed is less than its carrying amount. As a result, no further testing was performed, and the Company has concluded that goodwill was not impaired at December 31, 2016.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

The carrying costs of most of the Distribution Business' long-lived assets are included in rate base 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. As at December 31, 2016 and 2015, no asset impairment had been recorded.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers its proportionate share of the relevant Hydro One external transaction costs related to obtaining debt financing and presents such amounts as deferred debt costs on the Balance Sheets. Deferred debt costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI and net income are presented in a single continuous Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable which are measured at the lower of cost or fair value. Accounts receivable are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable to be reasonable estimates of fair value because of the short time to maturity of these instruments. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. Hydro One Networks determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with its risk management policy disclosed in note 16 – Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

Hydro One closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships. Hydro One's derivative instruments, or portions thereof, are mirrored down to Hydro One Networks, and are allocated between the Company's transmission and distribution businesses. The derivative instruments are classified as fair value hedges or undesignated contracts, consistent with Hydro One's derivative instruments classification.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Balance Sheets. For derivative instruments that qualify for hedge accounting, Hydro One may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. Hydro One offsets fair value amounts recognized on its Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. Hydro One does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2016 or 2015.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where Hydro One has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. Hydro One also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of Hydro One's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

Hydro One recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets of Hydro One for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration costs in the Consolidated Statements of Operations and Comprehensive Income.

Defined Benefit Pension

Hydro One has a contributory defined benefit pension plan covering most regular employees of Hydro One and its subsidiaries, including Hydro One Networks. The Hydro One pension plan does not segregate assets in a separate account for individual subsidiaries, nor is the obligation of the pension plan allocated to, or funded separately by, entities within the consolidated group. Accordingly, for purposes of these Financial Statements, the pension plan is accounted for as a defined contribution plan and no pension benefit asset or liability is recorded.

A detailed description of Hydro One pension benefits is provided in note 18 – Pension and Post-Retirement and Post-Employment Benefits, to the Consolidated Financial Statements of Hydro One for the year ended December 31, 2016.

Post-retirement and Post-employment Benefits

Hydro One has post-retirement and post-employment benefit plans covering all regular employees of Hydro One and its subsidiaries, including Hydro One Networks. The benefit obligations of these post-retirement and post-employment benefit plans are not segregated, or funded separately, for Hydro One Networks. Accordingly, for purposes of these Financial Statements, the post-retirement and post-employment benefit obligations are allocated to the Company based on base pensionable earnings.

The Company records a regulatory asset equal to its allocated share of Hydro One's incremental net unfunded projected benefit obligation for post-retirement and post-employment plans at each year end based on annual actuarial reports. The regulatory asset for the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans, in absence of regulatory accounting, would be recognized in AOCI. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process.

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active Hydro One employees in the plan and over the remaining life expectancy of inactive Hydro One employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the actuarial gains and losses that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

A detailed description of Hydro One post-retirement and post-employment benefits is provided in note 18 – Pension and Post-Retirement and Post-Employment Benefits, to the Consolidated Financial Statements of Hydro One for the year ended December 31, 2016.

Stock-Based Compensation

Share Grant Plans

Hydro One measures share grant plans based on fair value of share grants as estimated based on the grant date share price of Hydro One Limited common shares. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Forfeitures are recognized as they occur (see note 3).

Directors' Deferred Share Unit (DSU) Plan

The Company records the liabilities associated with its Directors' DSU Plan at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on Hydro One Limited common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures its LTIP at fair value based on the grant date share price of Hydro One Limited common shares. The related compensation expense of the Company is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Hydro One and its subsidiaries are involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of the Distribution Business' Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Distribution Business records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Distribution Business.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favorable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. The Distribution Business records a liability for the estimated future expenditures associated with contaminated land assessment and remediation and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. The Company reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Distribution Business expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Distribution Business' asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities and with the decommissioning of certain assets.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that are applicable to Hydro One Networks:

Recently Adopted Accounting Guidance

ASU	Date issued	Description	Effective date	Impact on Hydro One
2015-01	January 2015	Extraordinary items are no longer required to be presented separately in the income statement.	January 1, 2016	No material impact upon adoption
2015-03	April 2015	Debt issuance costs are required to be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability consistent with debt discounts or premiums.	January 1, 2016	Reclassification of deferred debt issuance costs and net unamortized debt premiums as an offset to long-term debt. Applied retrospectively. (See note 15)
2015-05	April 2015	Cloud computing arrangements that have been assessed to contain a software licence should be accounted for as internal-use software.	January 1, 2016	No material impact upon adoption

2015-17	November 2015	All deferred tax assets and liabilities are required to be classified as noncurrent on the balance sheet.	January 1, 2017	This ASU was early adopted as of April 1, 2016 and was applied prospectively. As a result, the current portions of the Company's deferred income tax assets are reclassified as noncurrent assets on the Balance Sheet. Prior periods were not retrospectively adjusted. (See note 7)
2016-09	March 2016	Several aspects of the accounting for stock-based payment transactions were simplified, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows.	January 1, 2017	This ASU was early adopted as of October 1, 2016 and was applied retrospectively. As a result, the Company accounts for forfeitures as they occur. There were no other material impacts upon adoption.

Recently Issued Accounting Guidance Not Yet Adopted

ASU	Date issued	Description	Effective date	Anticipated impact on Hydro One
2014-09 2015-14 2016-08 2016-10 2016-12 2016-20	May 2014 – December 2016	ASU 2014-09 was issued in May 2014 and provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2015-14 deferred the effective date of ASU 2014-09 by one year. Additional ASUs were issued in 2016 that simplify transition and provide clarity on certain aspects of the new standard.	January 1, 2018	The Company has completed its initial assessment and has identified relevant revenue streams. No quantitative determination has been made as a detailed assessment is now underway and will continue through to the third quarter of 2017, with the end result being a determination of the financial impact of this standard. The Company is on track for implementation of this standard by the effective date.
2016-02	February 2016	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet.	January 1, 2019	An initial assessment is currently underway encompassing a review of all existing leases, which will be followed by a detailed review of relevant contracts. No quantitative determination has been made at this time. The Company is on track for implementation of this standard by the effective date.
2016-15	August 2016	The amendments provide guidance for eight specific cash flow issues with the objective of reducing the existing diversity in practice.	January 1, 2018	Under assessment
2016-18	November 2016	The amendment requires that restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning and end-of-period balances in the statement of cash flows.	January 1, 2018	Under assessment
2017-04	January 2017	The amendment removes the second step of the current two-step goodwill impairment test such that the implied fair value of goodwill will not be required to be compared to the carrying value of the goodwill.	January 1, 2020	Under assessment

4. BUSINESS COMBINATIONS

Haldimand Hydro Transfer

On August 31, 2016, the common shares of Haldimand County Utilities Inc. (Haldimand Hydro) were transferred to Hydro One Networks by Hydro One. The transfer was accounted as a non-monetary transfer, based on Haldimand Hydro's carrying values at August 31, 2016. On September 1, 2016, Haldimand Hydro started dissolution proceedings and, as a result, its net assets were transferred to Hydro One Networks.

The following table summarizes the assets and liabilities that were transferred to Hydro One Networks' Distribution Business at September 1, 2016:

(millions of dollars)	
Working capital	10
Property, plant and equipment	52
Intangible assets	1
Deferred tax assets	1
Goodwill	33
Inter-company demand facility	(18)
Regulatory liabilities	(3)
	76

Woodstock Hydro Transfer

On August 31, 2016, the common shares of Woodstock Hydro Holdings Inc. (Woodstock Hydro) were transferred to Hydro One Networks by Hydro One. The transfer was accounted as a non-monetary transfer, based on Woodstock Hydro's carrying values at August 31, 2016. On September 1, 2016, Woodstock Hydro started dissolution proceedings and, as a result, its net assets were transferred to Hydro One Networks.

The following table summarizes the assets and liabilities that were transferred to Hydro One Networks' Distribution Business at September 1, 2016:

(millions of dollars)	
Working capital	9
Property, plant and equipment	28
Deferred tax assets	2
Goodwill	22
Inter-company demand facility	(23)
Regulatory liabilities	(3)
Post-retirement and post-employment benefit liability	(1)
Other long-term liabilities	(1)
	33

Norfolk Power Transfer

On August 31, 2015, the common shares of Norfolk Power Distribution Inc. (Norfolk Power) were transferred to Hydro One Networks by Hydro One. The transfer was accounted as a non-monetary transfer, based on Norfolk Power's carrying values at August 31, 2015. On September 1, 2015, Norfolk Power started dissolution proceedings and, as a result, its net assets were transferred to Hydro One Networks.

The following table summarizes the assets and liabilities that were transferred to Hydro One Networks' Distribution Business at September 1, 2015:

(millions of dollars)	
Working capital	9
Property, plant and equipment	55
Other assets	1
Goodwill	40
Inter-company demand facility	(33)
Derivative instruments	(3)
Other liabilities	(2)
	67

5. DEPRECIATION AND AMORTIZATION

Year ended December 31 *(millions of dollars)*	**2016**	**2015**
Depreciation of property, plant and equipment	269	254
Asset removal costs	55	59
Amortization of intangible assets	39	36
Amortization of regulatory assets	12	11
	375	360

6. FINANCING CHARGES

Year ended December 31 *(millions of dollars)*	2016	2015
Interest on long-term debt *(Note 23)*	161	154
Interest on inter-company demand facility *(Note 23)*	4	3
Other	3	4
Less: Interest capitalized on construction and development in progress	(12)	(14)
Gain on interest-rate swap agreements	–	(1)
	156	146

7. INCOME TAXES

Income taxes / provision for PILs differ 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 the effective tax rates is provided as follows:

Year ended December 31 *(millions of dollars)*	2016	2015
Income taxes / provision for PILs at statutory rate	87	82
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(12)	(4)
Pension contributions in excess of pension expense	(7)	(13)
Overheads capitalized for accounting but deducted for tax purposes	(7)	(6)
Interest capitalized for accounting but deducted for tax purposes	(3)	(4)
Environmental expenditures	(3)	(3)
Other	2	(2)
Net temporary differences	(30)	(32)
Net permanent differences	1	1
Total income taxes / provision for PILs	58	51

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	2016	2015
Current income taxes / provision for PILs	22	63
Deferred income taxes / recovery of PILs	36	(12)
Total income taxes / provision for PILs	58	51
Effective income tax rate	17.6%	16.6%

The provision for current income taxes / PILs is remitted to the CRA (Federal Tax Regime) and the OEFC (PILs Regime). At December 31, 2016, $5 million (2015 – $1 million) receivable from the CRA was included in other current assets and $7 million (2015 – $10 million) receivable from the OEFC was included in due from related parties.

The 2016 total income taxes / provision for PILs included deferred income taxes of $36 million (2015 – deferred recovery of $12 million) that are not included in the rate-setting process. Deferred income tax balances expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities arise from differences between the carrying amounts and tax basis of the Company's assets and liabilities. At December 31, 2016 and 2015, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	2016	2015
Deferred income tax assets (liabilities)		
Capital cost allowance in excess of depreciation and amortization	(740)	(686)
Regulatory amounts not recognized for tax	(109)	(112)
Goodwill	(10)	(9)
Post-retirement and post-employment benefits expense in excess of cash payments	337	319
Environmental expenditures	34	41
Non-capital losses	1	31
Other	(5)	–
Total deferred income tax liabilities	(492)	(416)
Less: current portion	–	10
	(492)	(426)

8. ACCOUNTS RECEIVABLE

December 31 *(millions of dollars)*	2016	2015
Accounts receivable – billed	396	347
Accounts receivable – unbilled	425	428
Accounts receivable, gross	821	775
Allowance for doubtful accounts	(35)	(59)
Accounts receivable, net	786	716

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2016 and 2015.

Year ended December 31 *(millions of dollars)*	2016	2015
Allowance for doubtful accounts – January 1	(59)	(64)
Write-offs	35	37
Additions to allowance for doubtful accounts	(11)	(32)
Allowance for doubtful accounts – December 31	(35)	(59)

9. OTHER CURRENT ASSETS

December 31 *(millions of dollars)*	2016	2015
Regulatory assets *(Note 12)*	24	28
Prepaid expenses and other assets	16	8
Materials and supplies	4	4
Deferred income tax assets *(Notes 3, 7)*	–	10
	44	50

10. PROPERTY, PLANT AND EQUIPMENT

December 31, 2016 *(millions of dollars)*	Property, Plant and Equipment[1]	Accumulated Depreciation	Construction in Progress	Total
Distribution	9,607	3,281	242	6,568
Communication	135	81	–	54
Administration and service	1,057	621	32	468
Easements	11	3	–	8
	10,810	3,986	274	7,098

[1] Includes future use assets totalling $51 million.

December 31, 2015 *(millions of dollars)*	Property, Plant and Equipment[1]	Accumulated Depreciation	Construction in Progress	Total
Distribution	9,072	3,152	236	6,156
Communication	124	65	–	59
Administration and service	996	574	18	440
Easements	11	3	–	8
	10,203	3,794	254	6,663

[1] Includes future use assets totalling $53 million.

Financing charges capitalized on property, plant and equipment under construction were $11 million in 2016 (2015 – $14 million).

11. INTANGIBLE ASSETS

December 31, 2016 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	384	177	30	237
Other	37	9	3	31
	421	186	33	268

December 31, 2015 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	352	141	17	228
Other	35	6	–	29
	387	147	17	257

Financing charges capitalized to intangible assets under development were $1 million in 2016 (2015 – $1 million). The estimated annual amortization expense for intangible assets is as follows: 2017 – $34 million; 2018 – $34 million; 2019 – $30 million; 2020 – $21 million; and 2021 – $20 million.

12. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. The Distribution Business has recorded the following regulatory assets and liabilities:

December 31 *(millions of dollars)*	2016	2015
Regulatory assets:		
Deferred income tax regulatory asset	462	431
Retail settlement variance accounts	145	113
Post-retirement and post-employment benefits	136	134
Environmental	95	114
Stock-based compensation	17	5
Distribution system code exemption	10	10
Pension cost variance	8	23
2015-2017 rate rider	7	20
Other	11	7
Total regulatory assets	891	857
Less: current portion	24	28
	867	829
Regulatory liabilities:		
Green Energy expenditure variance	69	76
PST savings deferral	5	4
Deferred income tax regulatory liability	–	9
Other	7	4
Total regulatory liabilities	81	93
Less: current portion	–	10
	81	83

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The Distribution Business has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Distribution Business' income tax expense would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2016 income tax expense would have been higher by approximately $31 million (2015 – $32 million).

Retail Settlement Variance Accounts (RSVA)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In March 2015, the OEB approved the disposition of the total RSVA balance accumulated from January 2012 to December 2013, including accrued interest, to be recovered through the 2015-2017 Rate Rider.

Post-Retirement and Post-Employment Benefits

The Distribution Business recognizes the net unfunded status of post-retirement and post-employment obligations on the Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the re-measurement adjustment. In the absence of rate-regulated accounting, 2016 OCI would have been lower by $2 million (2015 – higher by $20 million).

Environmental

The Distribution Business records a liability for the estimated future expenditures required to remediate environmental contamination. Because such expenditures are expected to be recoverable in future rates, an equivalent amount was recorded as a regulatory asset. In 2016, the environmental regulatory asset decreased by $6 million (2015 – $17 million) to reflect related changes in the PCB liability, and decreased by $5 million (2015 – increased by $2 million) due to changes in the LAR liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of the Distribution Business' actual environmental expenditures. In the absence of rate-regulated accounting, 2016 operation, maintenance and administration expenses would have been lower by $11 million (2015 – $15 million). In addition, 2016 amortization expense would have been lower by $12 million (2015 – $11 million), and 2016 financing charges would have been higher by $4 million (2015 – $5 million).

Stock-based Compensation

The Distribution Business recognizes costs associated with share grant plans in a regulatory asset as management considers it probable that costs associated with share grant plans will be recovered in the future through the rate-setting process. In the absence of rate-regulated accounting, 2016 operation, maintenance and administration expenses would have been higher by $5 million (2015 – $2 million).

Distribution System Code (DSC) Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the DSC, with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that identified specific expenditures can be recorded in a deferral account subject to the OEB's review in subsequent Hydro One Network distribution applications. In March 2015, the OEB approved the disposition of the DSC exemption deferral account at December 31, 2013, including accrued interest, which will be recovered through the 2015-2017 Rate Rider. In addition, the OEB also approved Hydro One's request to discontinue this deferral account. There were no additions to this regulatory account in 2015 or 2016.

Pension Cost Variance

A pension cost variance account was established for the Distribution Business to track the difference between the actual pension expense incurred and estimated pension costs approved by the OEB. The balance in this regulatory account reflects the excess of pension costs paid as compared to OEB-approved amounts. In the absence of rate-regulated accounting, 2016 revenue would have been higher by $15 million (2015 – lower by $3 million).

2015-2017 Rate Rider

In March 2015, as part of its decision on Hydro One Networks' Distribution rate application for 2015-2019 the OEB approved the disposition of certain deferral and variance accounts, including RSVAs and accrued interest. The 2015-2017 Rate Rider account includes the balances approved for disposition by the OEB and is being disposed in accordance with the OEB decision over a 32-month period ending on December 31, 2017.

Green Energy Expenditure Variance

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

PST Savings Deferral Account

The provincial sales tax (PST) and goods and services tax (GST) were harmonized in July 2010. Unlike the GST, the PST was included in operation, maintenance and administration expenses or capital expenditures for past revenue requirements approved during a full cost-of-service hearing. Under the harmonized sales tax (HST) regime, the HST included in operation, maintenance and administration expenses or capital expenditures is not a cost ultimately borne by the Company and as such, a refund of the prior PST element in the approved revenue requirement is applicable, and calculations for tracking and refund were requested by the OEB. For Hydro One Networks' distribution revenue requirement, PST was included between July 1, 2010 and December 31, 2015 and recorded in a deferral account, as directed by the OEB. In March 2015, the OEB approved the disposition of the PST Savings Deferral account at December 31, 2013, including accrued interest, which will be recovered through the 2015-2017 Rate Rider.

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

December 31 *(millions of dollars)*	2016	2015
Accrued liabilities	529	469
Accounts payable	67	59
Accrued interest *(Note 23)*	42	36
Regulatory liabilities *(Note 12)*	–	10
	638	574

14. OTHER LONG-TERM LIABILITIES

December 31 *(millions of dollars)*	2016	2015
Post-retirement and post-employment benefit liability *(Note 18)*	906	862
Environmental liabilities *(Note 19)*	79	99
Long-term inter-company payable *(Note 23)*	14	5
Long-term accounts payable and other liabilities	10	2
Asset retirement obligations *(Note 20)*	4	4
	1,013	972

15. DEBT

Hydro One issues notes for long-term financing under its Medium-Term Note (MTN) Program. The terms of certain issuances are mirrored down to Hydro One Networks through the issuance of inter-company debt, which is then allocated between the Company's transmission and distribution businesses.

The following table presents the outstanding long-term debt of the Distribution Business as at December 31, 2016 and 2015:

December 31 *(millions of dollars)*	2016	2015
Long-term debt	4,041	3,191
Add: Net unamortized debt premiums[1]	8	9
Add: Unrealized mark-to-market gain[2]	(1)	–
Less: Deferred debt issuance costs[1]	(16)	(13)
Less: Long-term debt payable within one year	(195)	(200)
Long-term debt	3,837	2,987

[1] Effective January 1, 2016, deferred debt issuance costs and net unamortized debt premiums were reclassified from other long-term assets and other long-term liabilities, respectively, as an offset to long-term debt upon adoption of ASU 2015-03 (see note 3). Balances as at December 31, 2015 were updated to reflect the retrospective adoption of ASU 2015-03.

[2] At December 31, 2016, the unrealized mark-to-market net gain related to Distribution Business' $200 million notes due 2019 and $30 million notes due 2020. This gain was offset by $1 million unrealized mark-to-market loss on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

In 2016, Hydro One issued $2,300 million (2015 – $350 million) of long-term debt under its MTN Program, of which $2,290 million (2015 – $30 million) was mirrored down to Hydro One Networks and $1,050 million (2015 – $30 million) was allocated to the Company's Distribution Business.

In 2016, Hydro One repaid $500 million (2015 – $550 million) of maturing long-term debt notes under its MTN Program. On the same date, Hydro One Networks repaid inter-company debt of $500 million (2015 – $550 million) to Hydro One, of which $200 million (2015 – $220 million) was allocated to the Company's Distribution Business.

Principal repayments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

Years to Maturity	Long-term Debt Principal Repayments *(millions of dollars)*	Weighted Average Interest Rate *(%)*
1 year	195	5.2
2 years	338	2.8
3 years	291	1.6
4 years	150	3.9
5 years	250	2.1
	1,224	2.9
6 – 10 years	506	3.1
Over 10 years	2,311	5.2
	4,041	4.3

Interest payment obligations related to long-term debt are summarized by year in the following table:

Year	Interest Payments *(millions of dollars)*
2017	172
2018	162
2019	151
2020	145
2021	139
	769
2022-2026	641
2027 +	1,709
	3,119

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

The Company classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2016 and 2015, the carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, inter-company demand facility, accounts payable, and due to related parties are representative of fair value because of the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Distribution Business' long-term debt at December 31, 2016 and 2015 are as follows:

December 31 *(millions of dollars)*	2016 Carrying Value	2016 Fair Value	2015 Carrying Value	2015 Fair Value
Long-term debt, including current portion				
$30 million notes due 2020	30	30	30	30
$200 million notes due 2019	199	199	–	–
Other notes and debentures	3,803	4,291	3,157	3,623
	4,032	4,520	3,187	3,653

Fair Value Measurements of Derivative Instruments

Hydro One enters into interest-rate swaps agreements with respect to its long-term debt. The terms of certain of these interest-rate swap agreements are mirrored down to Hydro One Networks, and are then allocated between the Company's transmission and distribution businesses.

At December 31, 2016, the Distribution Business' share of the Company's derivative instruments include $230 million (2015 – $30 million) of interest-rate swaps that were used to convert fixed-rate debt to floating-rate debt. These interest-rate swaps are classified as fair value hedges. The Distribution Business' fair value hedge exposure was equal to about 6% (2015 – 1%) of its total long-term debt. At December 31, 2016, the Distribution Business' interest-rate swaps designated as fair value hedges were as follows:

- $30 million fixed-to-floating interest-rate swap agreements to convert $30 million notes maturing on April 30, 2020 into three-month variable rate debt; and
- $200 million fixed-to-floating interest-rate swap agreements to convert $200 million notes maturing on November 18, 2019 into three-month variable rate debt.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	9	9	9	–	–
	9	9	9	–	–
Liabilities:					
Inter-company demand facility	74	74	74	–	–
Long-term debt, including current portion	4,032	4,520	–	4,520	–
Derivative instruments					
Fair value hedges – interest-rate swaps	1	1	–	1	–
	4,107	4,595	74	4,521	–

December 31, 2015 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	2	2	2	–	–
	2	2	2	–	–
Liabilities:					
Inter-company demand facility	642	642	642	–	–
Long-term debt, including current portion	3,187	3,653	–	3,653	–
	3,829	4,295	642	3,653	–

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no significant transfers between any of the fair value levels during the years ended December 31, 2016 and 2015.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in costs, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates as its regulated return on equity is derived using a formulaic approach that takes into account anticipated interest rates. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

Hydro One uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. Hydro One also uses derivative financial instruments to manage interest-rate risk. Hydro One utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments to lock in interest-rate levels in anticipation of future financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's net income for the years ended December 31, 2016 or 2015.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Statements of Operations and Comprehensive Income. The Distribution Business' net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2016 and 2015 was not significant.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2016 and 2015, there were no significant concentrations of credit risk with respect to any class of financial assets. The Distribution Business did not earn a significant amount of revenue from any single customer. At December 31, 2016 and 2015, there was no significant accounts receivable balance due from any single customer.

At December 31, 2016, the Distribution Business' provision for bad debts was $35 million (2015 – $59 million). Adjustments and write-offs were determined on the basis of a review of overdue accounts, taking into consideration historical experience.

At December 31, 2016, approximately 6% (2015 – 6%) of the Distribution Business' net accounts receivable were aged more than 60 days.

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highly rated counterparties; limiting total exposure levels with individual counterparties; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. Hydro One monitors current credit exposure to counterparties both on an individual and an aggregate basis. The Company's counterparty credit risk policy is consistent with Hydro One. The Distribution Business' credit risk for accounts receivable is limited to the carrying amounts on its Balance Sheets.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. The Company meets its short-term liquidity requirements through the inter-company demand facility with Hydro One and funds from operations. The short-term liquidity available to the Company is expected to be sufficient to fund normal operating requirements.

At December 31, 2016, accounts payable and accrued liabilities in the amount of $596 million (2015 – $528 million) were expected to be settled in cash at their carrying amounts within the next 12 months.

17. CAPITAL MANAGEMENT

The Distribution Business' objective is to manage its capital structure consistent with the deemed capital structure for rate-setting purposes as prescribed by the OEB. At December 31, 2016 and 2015, the Distribution Business' capital structure was as follows:

December 31 *(millions of dollars)*	2016	2015
Long-term debt payable within one year	195	200
Inter-company demand facility	74	642
Less: cash and cash equivalents	9	2
	260	840
Long-term debt	3,837	2,987
Excess of assets over liabilities	2,766	2,679
Total capital	6,863	6,506

The following table shows the movements in the excess of assets over liabilities for the years ended December 31, 2016 and 2015:

December 31 *(millions of dollars)*	2016	2015
Excess of assets over liabilities, January 1	2,679	2,595
Net income	271	257
Payments to Hydro One to finance dividends and return of stated capital *(Note 21)*	(293)	(240)
Transfers *(Note 4)*	109	67
Excess of assets over liabilities, December 31	2,766	2,679

18. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan (Pension Plan), a defined contribution pension plan (DC Plan), a supplementary pension plan, and post-retirement and post-employment benefit plans.

Defined Contribution Pension Plan

Hydro One established a DC Plan effective January 1, 2016. The DC Plan is mandatory and covers eligible management employees hired on or after January 1, 2016, as well as management employees hired before January 1, 2016 who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. Members of the DC Plan have an option to contribute 4%, 5% or 6% of their pensionable earnings, with matching contributions by Hydro One.

Hydro One Networks contributions to the DC Plan for the year ended December 31, 2016 were less than $1 million (2015 – $nil). At December 31, 2016, Company contributions payable included in accrued liabilities on the Balance Sheets were less than $1 million (2015 – $nil).

Defined Benefit Pension Plan

The Pension Plan is a defined benefit contributory plan which covers all regular employees of Hydro One and its subsidiaries. The Pension Plan provides benefits based on highest three-year average pensionable earnings. For management employees who commenced employment on or after January 1, 2004, and for Society of Energy Professionals-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation. Membership in the Pension Plan was closed to management employees who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. These employees are eligible to join the DC Plan.

Hydro One and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Annual Pension Plan contributions for 2016 of $108 million (2015 – $177 million) were based on an actuarial valuation effective December 31, 2015 (2015 – based on an actuarial valuation effective December 31, 2013) and the level of pensionable earnings. Estimated annual Pension Plan contributions for 2017 and 2018 are approximately $105 million and $102 million, respectively, based on the actuarial valuation as at December 31, 2015 and projected levels of pensionable earnings. Future minimum contributions beyond 2018 will be based on an actuarial valuation effective no later than December 31, 2018. Contributions are payable one month in arrears. All of the contributions are expected to be in the form of cash.

The Hydro One Supplemental Pension Plan (Supplemental Plan) provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan but for limitations imposed by the *Income Tax Act* (Canada). The Supplemental Plan obligation is included with other post-retirement and post-employment benefit obligations on the Balance Sheets.

At December 31, 2016, the present value of Hydro One’s projected pension benefit obligation was estimated to be $7,774 million (2015 – $7,683 million). The fair value of pension plan assets available for these benefits was $6,874 million (2015 – $6,731 million).

Post-Retirement and Post-Employment Benefits

During the year ended December 31, 2016, the Distribution Business charged $33 million (2015 – $31 million) of post-retirement and post-employment benefit costs to operations, and capitalized $35 million (2015 – $35 million) as part of the cost of property, plant and equipment and intangible assets. Benefits paid in 2016 were $24 million (2015 – $27 million). In addition, the associated post-retirement and post-employment benefits regulatory asset was increased by $2 million (2015 – decreased by $20 million).

The Distribution Business presents its post-retirement and post-employment benefit liabilities on its Balance Sheets as follows:

December 31 *(millions of dollars)*	2016	2015
Accrued liabilities	28	26
Post-retirement and post-employment benefit liability	906	862
	934	888

19. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2016 and 2015:

Year ended December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities, January 1	77	37	114
Interest accretion	3	1	4
Expenditures	(8)	(4)	(12)
Revaluation adjustment	(6)	(5)	(11)
Environmental liabilities, December 31	66	29	95
Less: current portion	10	6	16
	56	23	79

Year ended December 31, 2015 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Environmental liabilities, January 1	95	40	135
Interest accretion	4	1	5
Expenditures	(5)	(6)	(11)
Revaluation adjustment	(17)	2	(15)
Environmental liabilities, December 31	77	37	114
Less: current portion	10	5	15
	67	32	99

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Balance Sheets after factoring in the discount rate:

December 31, 2016 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	73	29	102
Less: discounting accumulated liabilities to present value	7	–	7
Discounted environmental liabilities	66	29	95

December 31, 2015 *(millions of dollars)*	PCB	Land Assessment and Remediation	Total
Undiscounted environmental liabilities	87	38	125
Less: discounting accumulated liabilities to present value	10	1	11
Discounted environmental liabilities	77	37	114

At December 31, 2016, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2017	16
2018	15
2019	14
2020	17
2021	15
Thereafter	25
	102

The Distribution Business records a liability for the estimated future expenditures for land assessment and remediation and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated.

There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Distribution Business' environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures.

PCBs

The Environment Canada regulations, enacted under the *Canadian Environmental Protection Act,* 1999, govern the management, storage and disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under current regulations, the Company's PCBs have to be disposed of by the end of 2025, with the exception of specifically exempted equipment. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Distribution Business' best estimate of the total estimated future expenditures to comply with current PCB regulations is \$73 million (2015 – \$87 million). These expenditures are expected to be incurred over the period from 2017 to 2025. As a result of its annual review of environmental liabilities, the Distribution Business recorded a revaluation adjustment in 2016 to decrease the PCB environmental liability by \$6 million (2015 – \$17 million).

Land Assessment and Remediation

The Distribution Business' best estimate of the total estimated future expenditures to complete its land assessment and remediation program is $29 million (2015 – $38 million). These expenditures are expected to be incurred over the period from 2017 to 2023. As a result of its annual review of environmental liabilities, the Distribution Business recorded a revaluation adjustment in 2016 to decrease the land assessment and remediation environmental liability by $5 million (2015 – increase by $2 million).

20. ASSET RETIREMENT OBLIGATIONS

The Company records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities and for the decommissioning of specific switching stations located on unowned sites. Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an asset retirement obligation is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligations, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as asset retirement obligations, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Distribution Business' asset retirement obligations represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Asset retirement obligations are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2016, the Company had recorded asset retirement obligations of $4 million (2015 – $4 million) related to its Distribution Business, primarily consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal.

21. HYDRO ONE NETWORKS' SHARE CAPITAL

Hydro One Networks is authorized to issue an unlimited number of common and preferred shares. At December 31, 2016 and 2015, Hydro One Networks had 207,577,181 common shares issued and outstanding and no preferred shares issued and outstanding.

During 2016, Hydro One Networks declared common share dividends in the amount of $2 million (2015 – $875 million), preferred share dividends of $nil (2015 – $16 million), and made a return of stated capital of $609 million (2015 – $nil) to Hydro One. The amount allocated to the Distribution Business to finance these dividends and return of stated capital was $293 million (2015 – $240 million).

22. STOCK-BASED COMPENSATION

The following compensation plans were established by Hydro One Limited, however they represent components of compensation costs of Hydro One and its subsidiaries, including Hydro One Networks, in current and future periods.

Share Grant Plans

At December 31, 2016, Hydro One Limited had two share grant plans (Share Grant Plans), one for the benefit of certain members of the Power Workers' Union (the PWU Share Grant Plan) and one for the benefit of certain members of The Society of Energy Professionals (the Society Share Grant Plan). Hydro One and Hydro One Limited entered into an intercompany agreement, such that Hydro One will pay Hydro One Limited for the compensation costs associated with these plans. The agreement requires Hydro One Networks to reimburse Hydro One for the value of shares granted to the Company's eligible employees relating to these plans.

The PWU Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of the Power Workers' Union annually, commencing on April 1, 2017 and continuing until the earlier of April 1, 2028 or the date an eligible employee no longer meets the eligibility criteria of the PWU Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on April 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. The requisite service period for the PWU Share Grant Plan begins on July 3, 2015, which is the date the share grant plan was ratified by the PWU. The number of common shares issued annually to each eligible employee will be equal to 2.7% of such eligible employee's salary as at April 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the Initial Public Offering. The aggregate number of Hydro One Limited common shares issuable under the PWU Share Grant Plan shall not exceed 3,981,763 common shares. In 2015, 2,152,519 Hydro One Limited common shares were granted under the PWU Share Grant Plan relevant to the total stock-based compensation recognized by the Distribution Business.

The Society Share Grant Plan provides for the issuance of common shares of Hydro One Limited from treasury to certain eligible members of The Society of Energy Professionals annually, commencing on April 1, 2018 and continuing until the earlier of April 1, 2029 or the date an eligible employee no longer meets the eligibility criteria of the Society Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on September 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. Therefore the requisite service period for the Society Share Grant Plan begins on September 1, 2015. The number of common shares issued annually to each eligible employee will be equal to 2.0% of such eligible employee's salary as at September 1, 2015, divided by $20.50, being the price of the common shares of Hydro One Limited in the Initial Public Offering. The aggregate number of Hydro One Limited common shares issuable under the Society Share Grant Plan shall not exceed 1,434,686 common shares. In 2015, 743,877 Hydro One Limited common shares were granted under the Society Share Grant Plan relevant to the total stock-based compensation recognized by the Distribution Business.

The 2015 fair value of Hydro One Limited shares granted to employees of Hydro One Networks and allocated to the Distribution Business was $59 million. The fair value was estimated based on the grant date Hydro One Limited share price of $20.50 and is recognized using the graded-vesting attribution method as the share grant plans have both a performance condition and a service condition. No shares were granted under the Share Grant Plans in 2016. Total stock-based compensation recognized during 2016 by the Distribution Business was $12 million (2015 – $5 million) and was recorded as a regulatory asset.

A summary of the Distribution Business' share grant activity under the Share Grant Plans during years ended December 31, 2016 and 2015 is presented below:

Year ended December 31, 2016	Share Grants *(Number of common shares)*	Weighted-Average Price
Share grants outstanding – January 1	2,896,396	$20.50
Granted (non-vested)	–	–
Forfeited[1]	(43,317)	$20.50
Share grants outstanding – December 31	2,853,079	$20.50

[1] Includes shares forfeited as well as shares transferred corresponding to transfer of employees between affiliate companies.

Year ended December 31, 2015	Share Grants *(Number of common shares)*	Weighted-Average Price
Share grants outstanding – January 1	–	–
Granted (non-vested)	2,896,396	$20.50
Share grants outstanding – December 31	2,896,396	$20.50

Directors' DSU Plan

Under the Directors' DSU Plan, directors can elect to receive credit for their annual cash retainer in a notional account of DSUs in lieu of cash. Hydro One Limited's Board of Directors may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled.

Each DSU represents a unit with an underlying value equivalent to the value of one common share of Hydro One Limited and is entitled to accrue Hydro One Limited common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One Limited's Board of Directors.

Year ended December 31 *(number of DSUs)*	2016	2015
DSUs outstanding – January 1	11,079	–
DSUs granted	42,402	11,079
DSUs outstanding – December 31	53,481	11,079

For the year ended December 31, 2016, an expense of $1 million (2015 – less than $1 million) was recognized in earnings by the Distribution Business with respect to the DSU Plan. At December 31, 2016, a liability of $1 million (2015 – less than $1 million), related to outstanding DSUs has been recorded at the closing price of Hydro One Limited's common shares of $23.58.

Employee Share Ownership Plan

Effective December 15, 2015, Hydro One Limited established an Employee Share Ownership Plan (ESOP). Under the ESOP, certain eligible management and non-represented employees may contribute between 1% and 6% of their base salary towards purchasing common shares of Hydro One Limited. Hydro One Networks matches 50% of the employee's contributions, up to a maximum Company contribution of $25,000 per calendar year. In 2016, contributions made by the Distribution Business under the ESOP were $1 million (2015 – $nil).

Long-term Incentive Plan

Effective August 31, 2015, the Board of Directors of Hydro One Limited adopted an LTIP. Under the LTIP, long-term incentives are granted to certain executive and management employees of Hydro One Limited and its subsidiaries, and all equity-based awards will be settled in newly-issued shares of Hydro One Limited from treasury, consistent with the provisions of the plan. The aggregate number of shares issuable under the LTIP shall not exceed 11,900,000 shares of Hydro One Limited.

The LTIP provides flexibility to award a range of vehicles, including restricted share units (RSUs), performance share units (PSUs), stock options, share appreciation rights, restricted shares, deferred share units and other stock-based awards. The mix of vehicles is intended to vary by role to recognize the level of executive accountability for overall business performance.

During 2016, Hydro One Limited granted awards under its LTIP, consisting of PSUs and RSUs, all of which are equity settled in Hydro One Limited shares. A summary of the Distribution Business' share is as follows:

	Number of PSUs	Number of RSUs
Units outstanding – January 1, 2016	–	–
Units granted	77,348	86,679
Units forfeited	(3,285)	(3,285)
Units outstanding – December 31, 2016	74,063	83,394

The grant date total fair value of the awards was $4 million (2015 – $nil). The compensation expense recognized by the Distribution Business relating to these awards during 2016 was $1 million (2015 – $nil).

23. RELATED PARTY TRANSACTIONS

The Distribution Business is a separately regulated business of Hydro One Networks which is a subsidiary of Hydro One. Hydro One is owned by Hydro One Limited, and the Province is the majority shareholder of Hydro One Limited. The IESO, Ontario Power Generation Inc. (OPG), OEFC, OEB, Hydro One Brampton and Hydro One Telecom are related parties to Hydro One Networks because they are controlled or significantly influenced by the Province, or by Hydro One Limited.

Related Party	Transaction	Year ended December 31 2016	2015 *(millions of dollars)*
IESO	Power purchased	2,044	1,963
	Distribution revenues related to rural rate protection	125	125
	Funding received related to Conservation and Demand Management programs	63	63
OPG	Power purchased	6	11
OEFC	Power purchased from power contracts administered by the OEFC	1	6
	Payments in lieu of corporate income taxes	–	20
	Indemnification fee paid (terminated effective October 31, 2015)	–	1
OEB	OEB fees	6	7
Hydro One Brampton[1]	Revenues from management, administrative and smart meter network services	3	1
Hydro One Limited and its subsidiaries[2]	Revenues for services provided	4	4
	Services received – costs expensed	15	16
	Interest expense on long-term debt	161	154
	Interest expense on inter-company demand facility	4	3
	Payments to finance dividends and return of stated capital	293	240
	Stock-based compensation costs	13	5

[1] On February 28, 2017, Hydro One Brampton was acquired by Alectra Inc. from the Province, and as such, effective this date, Hydro One Brampton is no longer a related party to Hydro One.

[2] In 2016, Hydro One transferred the assets and liabilities of Haldimand Hydro and Woodstock Hydro (2015 – Norfolk Power) to Hydro One Networks' Distribution Business. See note 4.

The amounts due to and from related parties at December 31, 2016 and 2015 are as follows:

December 31 *(millions of dollars)*	2016	2015
Inter-company demand facility	(74)	(642)
Due from related parties	33	60
Due to related parties	(178)	(128)
Accrued interest	(42)	(36)
Long-term inter-company payable	(14)	(5)
Long-term debt, including current portion	(4,032)	(3,187)

24. STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 *(millions of dollars)*	2016	2015
Accounts receivable	(48)	171
Due from related parties	27	38
Materials and supplies	2	3
Other assets	(8)	7
Accounts payable	(1)	(10)
Due to related parties	50	(52)
Accrued liabilities	50	41
Accrued interest	6	(2)
Long-term accounts payable and other liabilities	7	1
Post-retirement and post-employment benefit liability	41	38
	126	235

Capital Expenditures

The following table reconciles investments in property, plant and equipment and the amount presented on the Statements of Cash Flows after accounting for capitalized depreciation and the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2016	2015
Capital investments in property, plant and equipment	(655)	(653)
Capitalized depreciation and net change in accruals included in capital investments in property, plant and equipment	20	19
Capital expenditures – property, plant and equipment	(635)	(634)

The following table reconciles investments in intangible assets and the amount presented in the Statements of Cash Flows after accounting for the net change in related accruals:

Year ended December 31 *(millions of dollars)*	2016	2015
Capital investments in intangible assets	(44)	(26)
Net change in accruals included in capital investments in intangible assets	6	2
Capital expenditures – intangible assets	(38)	(24)

Supplementary Information

Year ended December 31 *(millions of dollars)*	2016	2015
Net interest paid	155	156
Income taxes / PILs paid	10	21

25. CONTINGENCIES

Hydro One 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, results of operations or cash flows.

Hydro One and certain of its subsidiaries, including Hydro One Networks, are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. A certification motion in the class action is pending. Due to the preliminary stage of legal proceedings, an estimate of a possible loss related to this claim cannot be made.

The Company is a wholly owned subsidiary of Hydro One. As such, the assets of the Distribution Business are available to satisfy the debts, contingent liabilities and commitments of both the Company and Hydro One.

26. COMMITMENTS

The Company and Hydro One have numerous commitments. These commitments have not been specifically allocated to the Distribution Business. However, the assets of the Distribution Business are available to satisfy the commitments of both the Company and Hydro One.

27. SUBSEQUENT EVENTS

Payments to Finance Dividends and Return of Stated Capital

On February 9, 2017, Hydro One Networks declared common share dividends in the amount of $2 million, and a return of stated capital in the amount of $124 million was approved. The amount allocated to the Distribution Business to finance these payments was $50 million.

ATTACHMENT 18
PDI Growth in Revenue Requirement Related Elements

The calculation of forecast revenue requirement for the Status Quo Cost to Serve scenario was modeled by PDI. For the Hydro One Residual Cost to Serve scenario, forecast revenue requirement is calculated based on the same model used by Hydro One in the calculation of the ESM, presented in Exhibit A, Tab 3, Schedule 1 of this Application.

	2013	2017	2018[1]	2019[1]	2029[1]	2030[1]	2030[1]
PDI Operating Model Cost to Serve Scenario	Status Quo	Status Quo	Status Quo	Status Quo	Residual	Residual	Status Quo
Significance of Year	Most Recent OEB Rebasing of PDI Rates	Most Recent PDI Audited Financial Year	Bridge Year of PDI Operation	Bridge Year of PDI Operation	Year 10 of Deferred Rebasing Period	Year 11 PDI Rebasing Expected	Year 11 PDI Rebasing Expected
Source of Data	EB-2012-0160	PDI 2017 F/Statements	PDI Forecast	PDI Forecast	HONI Forecast	HONI Forecast	PDI Forecast
Years Since Rebasing	N/A	4	5	6	16	17	17
	($000's)	**($000's)**	**($000's)**	**($000's)**	**($000's)**	**($000's)**	**($000's)**
Rate Base	65,407	74,949	76,776	79,212	101,185	103,244	97,046
OM&A	8,440	9,014	9,221	9,433	4,227	4,311	12,269
Depreciation	2,672	3,585	3,708	3,833	3,955	4,106	6,193
Tax	263	476	399	309	746	807	607
Cost of Capital							
Cost of Debt	1,561	1,815	1,859	1,918	2,626	2,679	2,350
Cost of Equity	2,352	2,698	2,764	2,852	3,643	3,717	3,494
Total Cost of Capital	**3,913**	**4,513**	**4,623**	**4,770**	**6,269**	**6,396**	**5,844**
Revenue Requirement	**15,288**	**17,588**	**17,951**	**18,345**	**15,197**	**15,620**	**24,913**

[1] Please refer to Attachment 20 to this Application for the list of assumptions used for this forecast period.

[2] Blue Page Updates (02-27-2019) to tax calculation.

ATTACHMENT 19

Comparison of LDC OEB-Approved Revenue Requirement and Rate Base following 5-year IRM Applications

	2018 approvals			Last Approval					Rev Requirement Variance		Rate Base Variance	
Utility	Application	Base Revenue Requirement	Rate Base	Year	Application	Base Revenue Requirement	Rate Base		$	%	$	%
Centre Wellington	EB-2017-0032	3,665,637	17,046,778	2013	EB-2012-0113	3,023,099	11,778,959		642,538	21.3%	5,267,819	44.7%
Cooperative Hydro Er	EB-2017-0035	1,067,336	4,680,408	2014	EB-2013-0122	858,144	2,907,927		209,192	24.4%	1,772,481	61.0%
Essex	EB-2017-0039	12,351,144	58,033,511	2010	EB-2009-0143	11,208,453	41,119,714		1,142,691	10.2%	16,913,797	41.1%
Hydro Hawkesbury	EB-2017-0048	1,744,140	8,528,333	2014	EB-2013-0139	1,590,565	6,386,201		153,575	9.7%	2,142,132	33.5%
Westario	EB-2017-0084	10,669,547	50,358,448	2013	EB-2012-0176	9,631,581	41,870,815		1,037,966	10.8%	8,487,633	20.3%
								AVG		**15.3%**		**40.1%**

	2017 approvals			Last Approval					Rev Requirement Variance		Rate Base Variance	
Utility	Application	Base Revenue Requirement	Rate Base	Year	Application	Base Revenue Requirement	Rate Base		$	%	$	%
Atikokan	EB-2016-0055	1,402,256	3,435,243	2012	EB-2011-0293	1,232,815	2,799,500		169,441	13.7%	635,743	22.7%
Brantford	EB-2016-0058	17,098,955	88,429,953	2013	EB-2012-0109	15,826,563	75,737,921		1,272,392	8.0%	12,692,032	16.8%
CNP	EB-2016-0061	18,840,476	89,608,015	2013	EB-2012-0112	17,562,996	73,497,788		1,277,480	7.3%	16,110,227	21.9%
InnPower	EB-2016-0085	10,117,125	52,584,820	2013	EB-2012-0139	7,590,696	32,279,524		2,526,429	33.3%	20,305,296	62.9%
Lakefront	EB-2016-0089	4,260,112	19,540,253	2012	EB-2011-0250	4,039,506	17,660,020		220,606	5.5%	1,880,233	10.6%
London	EB-2016-0091	66,339,088	299,568,786	2013	EB-2012-0146	62,675,465	268,985,256		3,663,623	5.8%	30,583,530	11.4%
Northern Ontario	EB-2016-0096	3,411,159	7,767,615	2013	EB-2012-0153	2,916,654	7,273,107		494,505	17.0%	494,508	6.8%
Renfrew	EB-2016-0166	2,003,438	6,684,775	2010	EB-2009-0146	1,877,960	6,016,657		125,478	6.7%	668,118	11.1%
Thunder Bay	EB-2016-0105	22,770,707	109,772,927	2013	EB-2012-0167	19,210,613	93,339,122		3,560,094	18.5%	16,433,805	17.6%
Welland	EB-2016-0110	9,684,025	33,665,167	2013	EB-2012-0173	8,715,039	31,435,867		968,986	11.1%	2,229,300	7.1%
								AVG		**12.7%**		**18.9%**
							2-Year Average			**13.5%**		**26.0%**

ATTACHMENT 20

PDI Revenue Requirement Assumptions

The "Residual" (Hydro One) Cost to Serve and the "Status Quo" (PDI) Cost to Serve

The model used for the calculation of the Residual Cost to Serve revenue requirement (the revenue requirement calculated by Hydro One, forecasting the results assuming the transaction is approved) is based on the same model used by Hydro One in the calculation of the ESM sharing calculation presented in Exhibit A, Tab 3, Schedule 1.

The model used for the calculation of PDI's Status Quo Cost to Serve revenue requirement is provided by PDI and assumes business continues under their current operations and management model.

List of Assumptions:

- Year 11 OM&A and Capital expenditures for each scenario, Residual Cost to Serve or Status Quo Cost to Serve, are based on the applicable data set lines provided in **Exhibit A, Tab 2, Schedule 1**, Table 1, (adjusted for rounding), inflated by;
  - 2.0% for Hydro One's Residual Cost to Serve scenario %, and
  - For PDI's Status Quo Cost to Serve scenario
    - 2.0% for Capital
    - 2.5% for OM&A

  (i.e. the Year-10 value from **Exhibit A, Tab 2, Schedule 1**, Table 1 is inflated by the percentage (outlined above), applicable to the relevant Cost to Serve scenario, to arrive at Year 11 value).
- Rate Base is calculated based on PDI's 2019 Rate Base forecast.
- Year 1 of the deferred rebasing period for both Residual Cost to Serve and Status Quo Cost to Serve scenarios is assumed to be 2020.
- Rate Base in Year 1 of the Hydro One Residual Cost to Serve scenario, is calculated using the PDI 2019 forecast balance of PDI's NBV of Property, Plant and Equipment ("PP&E"), as acquired from PDI, less PDI's 2019 forecast balance of capital contributions, plus a calculation for working capital.
- Rate base applies the half-year rule. Capital expenditures are treated as 100% in-serviced in the year incurred.
- Working capital rate;
  - Residual Cost to Serve scenario – 7.70% per Hydro One's Distribution's 2018-2022 rate application (EB-2017-0049)

  - Status Quo Cost to Serve scenario– 7.5% per OEB's default working capital allowance[1]
- Annual depreciation on the forecast Gross Book Value of PDI assets.
  - The Status Quo Cost to Serve scenario uses the average PDI depreciation rate which is equal to the rolling average of PDI's depreciation expense (actual and forecast) between 2017 and 2030. The average annual rate over the 2017 to 2030 period is approximately 4.0%. For 2030 specifically, that year's average depreciation rate is 3.7%.
  - The Residual Cost to Serve scenario uses Hydro One's OEB-approved depreciation rates.
- Interest expense
  - Residual Cost to Serve scenario (Hydro One rates)[2]
    - Long Term – 4.47%
    - Short Term – 2.29%
  - Status Quo Cost to Serve scenario (Peterborough Distribution rates)[3]
    - Long Term – 4.16%
    - Short Term – 2.29%
- ROE – 9.0% (Residual Cost to Serve and Status Quo Cost to Serve scenario are the same)
- Tax expense used for the Residual Cost to Serve and Status Quo Cost to Serve scenarios are the same; a combined Federal and Provincial tax rate of 26.5%.

[1] OEB letter to All Licensed Electricity Distributors, '*Allowance for Working Capital for Electricity Distribution Rate Applications*' June 3, 2015
[2] EB-2017-0049 – Exhibit Q 1, Tab 1, Schedule 1
[3] Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications dated November 23, 2017

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

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. Important Information:

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

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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

☐ 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

Please provide the following information about the Applicant:			
Full Legal Name of Applicant 1937680 Ontario Inc.		Ontario Corporation Number, Canadian Corporation Number or Business Registration Number 879304924	Date of Formation or Incorporation June 11, 2015
Business Address: 483 Bay Street, 8th Floor South Tower			
City Toronto	Province Ontario	Country Canada	Postal/Zip Code M5G 2P5
Phone Number 416-345-4373	FAX Number 416-345-5866	E-Mail Address (if applicable) regulatory@hydroone.com	

4. Primary Contact for this Application

Please provide the following information about the Primary Contact for this Application:				
Mr. ☐ Mrs. ☐ Miss ☐ Ms. ☑ Other: ________	Last Name: Gibbons		Full First Name: Linda	Initial:
	Position Held: Sr. Regulatory Coordinator (Hydro One Networks Inc)			
Contact Address (if R.R., give Lot, Concession No. and Township) 483 Bay Street, 8th Floor South Tower				
City Toronto	Province Ontario		Country Canada	Postal/Zip Code M5G 2P5
Phone Number 416-345-4373	FAX Number 416-345-5866		E-mail Address (if applicable) regulatory@hydroone.com	

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:

1. The City of Peterborough as at January 1, 1998
(a) Except for the following lands which are served by Hydro One Networks Inc.:
- 1345 Hilliard Street, lot 15, concession 3; 580 Douro 9th Line, lot 7, concession 9

(b) Including the following lands:
- 1216 Parkhill Road, lot 3, concession 1; 1226 Parkhill Road, lot 8, concession 1; 1324 Parkhill Road, lot 7, concession 1; 1232 Parkhill Rd. W.; The general boundaries are north of Parkhill Rd. W., south of Jackson Creek, east of 1234 Parkhill Rd. W. and west of 1226 Parkhill Rd. W.

(c) Except for the following lands which are served by Hydro One Networks Inc.:
- 340 Simons Ave., Lots 5, 6 & 7 and Blocks 53, 54 & 64

2. The former Village of Norwood as of December 31, 1997, now in the Township of Asphodel-Norwood.
(a) Including the following lands:
- 2281 County Road 45, lot 16, concession 9

3. The former Village of Lakefield as of December 31, 2000.

4. The following locations outside the Village of Lakefield:
- 8 houses on Tate Lane (Douro); 4 houses on Casement Lane (Douro); 50 Bishop Street (Douro); 55 Bishop Street (Douro); 2 houses on Tylers Close (Douro); 4388 County Road #29 (Douro); 1256 County Road #33 (Douro); 132 Strickland Street (Douro); 133 Strickland Street (Douro); 91 Oxford Street (Douro); 4365 County Road #29; 4372 County Road #29; 4373 County Road #29; 4381 County Road #29; 4409 County Road #29; Lakefield College School (also known as The Grove School)

6. Facilities Use

Please indicate whether the distribution facilities are for exclusive use by the Applicant.

Yes ☑ No ☐

B. Distribution Facilities Information

7. Facilities Type

Please indicate whether the Applicant's distribution facilities are:

☐ New assets to be constructed? Proposed In-service date: ____________________________

If Applicant is to be the owner, please attach a statement explaining the financing arrangements.

☐ Existing assets presently owned and/or operated by the Applicant?

☑ Existing assets not presently owned and/or operated by the Applicant (ie to be purchased)?

If Applicant is to be the owner please indicate:

a) from whom assets will be purchased:

Assets will be purchased from the amalgamated company ("AmalCo") formed via the amalgamation of Peterborough Distribution Inc. ("PDI") and Peterborough Utilities Services Inc. ("PUSI"). In EB-2018-0242 s.86 Application, AmalCo is requesting leave of the Board to sell the distribution assets to 1937680 Ontario Inc.

b) when application for sale has/will be filed with the Board?

The application for sale of the distribution assets mentioned in Section 7a) above is being filed concurrently with this distribution licence transfer application (i.e., all as part of EB-2018-0242).

☐ Other (please describe):

8. Facilities Purpose

Please 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):

The distribution facilities are from PDI's former service territory which is responsible for maintaining, operating and renewal of the electricity distribution system in Peterborough, Lakefield and Norwood. PDI is bounded by Hydro One on all service territory boundaries. PDI is a Registered Market Participant for the purposes of settlement with the Independent Electricity System Operator. However, PDI is considered a partially "embedded" local distribution company because it receives some of its electricity from Hydro One Networks Inc.'s low voltage distribution system.

i. Operating Voltages: 4.4 kV, 27.6 kV 44 kV, and 8.32 kV (Norwood)
ii. Length of Distribution Line: Total 571 circuit km of line
 - Overhead circuit km of line: 384
 - Underground circuit km of line: 187
iii. Number of Substations: Total 22 stations
 - 16 Transformer Stations (MS)
 - 6 Breaker Stations (BS)
iv. Approximate total supply capacity: 126,759 kW (2017 summer peak)

10. Location of Facilities

Please indicate whether the distribution facilities will be located on, over or under public streets or highways. Yes ☑ No ☐

The PDI service territory and distribution system assets are located in the urban locations consistent with the description provided in Section 5, "Service Area", of this Application and are named as, the City of Peterborough, Village of Lakefield and Village of Norwood. They are located in south eastern Ontario in an urban area measuring approximately 68 square kilometers. The distribution system assets consist of both overhead and underground distribution lines, together totalling approximately 571 circuit kilometers of line and cross both municipal streets and highways.

C. Supporting Information Organizational Information

11. Business Classification

Sole Proprietor	☐
Partnership	☐
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:

Hydro One Inc. Hydro One Networks Inc. Hydro One Sault Ste. Marie Hydro One Telecom Inc.
Hydro One Remote Communities Inc. B2M Limited Partnership Niagara Reinforcement Limited Partnership
Other holding companies within Hydro One Limited.

Business Address: 483 Bay St., 8th Floor, South Tower

City	Province	Country	Postal/Zip Code
Toronto	Ontario	Canada	M5G 2P5

Tel. Number	FAX Number	E-Mail Address (if applicable)
416-345-5000	416-345-5886	regulatory@hydroone.com

Description of Business Activities:

Following the enactment of the Electricity Act, 1998 and the restructuring of the former Ontario Hydro, Ontario Hydro Services Company Inc. was incorporated under the Ontario Business Corporations Act on December 1, 1998 and commenced business on May 1, 1999. On May 1, 2000, the company's name was changed to Hydro One Inc. in accordance with Section 48.1 of the Electricity Act, 1998, as amended. Hydro One Inc. is a holding company operating through its wholly-owned subsidiaries. Its principal subsidiary, Hydro One Networks Inc., is the largest electricity transmitter and distributor within Ontario.

- Hydro One Remote Communities Inc. carries on all business relating to ownership, operation, maintenance and construction of generating and distribution assets used in the supply of electricity to remote communities throughout Northern Ontario that are not connected to the transmission grid.
- Hydro One Telecom Inc. carries on all business relating to leasing dark fibre and providing lit capacity to other telecommunications carriers, large corporations, government, health care and education institutions.
- Hydro One Sault Ste. Marie owns certain transmission assets in the Algoma Region of Ontario.
- B2M Limited Partnership carries on all business relating to the ownership, operation and management of electricity transmission facilities in relation to the Bruce to Milton Transmission line between Milton, Ontario and the Bruce Nuclear Power Development in Tiverton, Ontario.
- Niagara Reinforcement Limited Partnership is a limited partnership that currently has an application for a Transmission License before the OEB, with the intention of owning and operating certain assets of the Niagara Reinforcement Project in the future.

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.

Please refer to Appendix A.

13. Energy Sector Activities

Has the Applicant or an Affiliate undertaken any energy sector activities in Ontario or any other jurisdiction?	Yes ☑ No ☐
If yes, please provide the following information for each:	
Full Legal Name of Company:	Licence/Registration Number:
1) Hydro One Networks Inc.	1) 870865821
2) Hydro One Remote Communities, Inc.	2) 870836269
3) B2M LP	3) 808209530
4) Hydro One Sault Ste. Marie LP	4) 833178213
Jurisdiction:	Type of Business Activity (e.g. Generation, Transmission, Distribution):
Across the Province of Ontario	1) Transmission, Distribution
Across the Province of Ontario	2) Generation, Distribution
Across the Province of Ontario	3) Transmission
Across the Province of Ontario	4) Transmission

Technical Capability and Experience Information

14. Business Activities

Please provide a description of the Applicant's business activities:

1937680 Ontario Inc. is a corporation incorporated under the laws of Ontario, and was established to own and operate certain distribution assets of PDI and PUSI, proposed to be transferred to AmalCo, (per Section 7 above) until such assets can be integrated with Hydro One Networks Inc.'s ("Hydro One") distribution business.

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.

1937680 Ontario Inc. will rely (for technical capacity) on the existing expertise within PDI, PUSI (whose administrative and back-office support capabilities will be transferred to affiliate 2642830 Ontario Inc.) and Hydro One before ultimately transferring the assets to Hydro One.

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:	Peterborough Utilities Inc. (Meter Services Provider)
☑ Settlement & Billing	Contracted to:	- Meter Services Peterborough Inc. (Wholesale Meter Settlement Services) - 2642830 Ontario Inc.
☑ Other (describe):	Contracted to:	Administrative and back-office services historically provided to PDI by PUSI, contracted to: 2642830 Ontario Inc.

16. Information About Each Key Individual

Mr. ☑ Mrs. ☐ Miss ☐ Ms. ☐ Other: ____	Last Name: Scarlett	Full First Name: James	Initial:
	Position Held: Executive Vice President		

Please explain the person's experience in the electrical distribution business and in the energy field in general.

James Scarlett is currently Executive Vice President and Chief Legal Officer of Hydro One Inc. Prior to joining Hydro One Inc., Mr. Scarlett was a Senior Partner at Torys LLP. He joined Torys in March 2000 and held a number of leadership roles at the firm, including head of Torys' Capital Markets Group, Mining Group and International Business Development Strategy. Mr. Scarlett was also a member of the firm's Executive Committee from 2009-2015. Prior to joining Torys, Mr. Scarlett was a partner at another major Canadian law firm. While at that firm Mr. Scarlett held leadership roles as head of its Corporate Group, Securities Group and as a member of its Board. Mr. Scarlett was also seconded to the Ontario Securities Commission in 1987 and was appointed as the first Director of Capital Markets in 1988, a position he held until his return to private law practice in 1990. Mr. Scarlett earned his law degree (J.D.) from the University of Toronto in 1981 and his Bachelor of Commerce Degree from the University of McGill in 1975. In 2015, Mr. Scarlett earned his ICD.D (Institute of Corporate Directors) designation.

a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act, 1998*. Yes ☑ No ☐

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

Please see Appendix B.

b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes ☑ No ☐

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 Appendix B.

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes ☐ No ☑

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

Note:
Attach a copy of Item 16 for each Key Individual: Officer and Director, Partner or sole Proprietor.

16. Information About Each Key Individual

Mr. ☑ Mrs.☐ Miss ☐ Ms. ☐ Other: ________	Last Name: Bowness	Full First Name: Brad	Initial:
	Position Held: President and Secretary		

Please explain the person's experience in the electrical distribution business and in the energy field in general.

Mr. Bowness joined Hydro One in 2004 and has twenty years of diverse experience in the utilities sector. Since joining Hydro One, he has held a variety of management positions in various divisions across the company including Distribution Operations, Transmission Operations and Information Technology. At present, he is the Vice President of Distribution overseeing a $900 million work program executed by 3,300 internal staff supported by external delivery models. Mr. Bowness has accountability for the Distribution Lines, Forestry Services, Work Management, and Quality Assurance & Business Support organizations to safely, efficiently and productively design, estimate, schedule, dispatch and execute all work while improving upon overall customer satisfaction with the services delivered on the distribution system. Mr. Bowness holds an Honors Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario. Mr. Bowness joined Hydro One in 2004 after spending six years in the management consulting and systems integration industry.

a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act, 1998*. Yes ☑ No ☐

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

Please see Appendix C.

b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes ☑ No ☐

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 Appendix C.

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes ☐ No ☑

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

Note:
Attach a copy of Item 16 for each Key Individual: Officer and Director, Partner or sole Proprietor.

Financial Information

17. Financial Statements

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.

The 2017 and 2016 Financial Statements for 1937680 are attached as Appendix D and E.

Other Information

18. Delivery

Please indicate whether the Applicant's distribution facilities are to be used to deliver electricity to one or more parties other than the Applicant. If yes, please provide the following information:

Yes ☑ No ☐

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:

N/A

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.

Please see Appendix F.

c) estimates of net annual cash flows for subsequent periods to demonstrate financial feasibility and security.

Please see Appendix F.

d) indication of the Applicant's plans to seek Ontario Energy Board approval for electricity distribution rates.

Please see Appendix F.

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:

Hydro One currently has existing assets serving many customers in close proximity to the current PDI service territory, making Hydro One a natural consolidator for PDI.

b) Improve reliability and quality of supply:

Hydro One endeavors to maintain or improve reliability and quality of electricity service for all of its customers. As part of the proposed consolidation, Hydro One will retain local knowledge from existing PDI staff. This local knowledge, in coordination with Hydro One's regional operations and staff, will allow Hydro One to maintain or improve reliability. Hydro One anticipates that PDI's service territory reliability may in fact improve with the combination of pre-existing Hydro One and former PDI resources optimized for the broader Peterborough area.

c) Promote economic and energy efficiency:

Economic efficiency is attained through sector consolidation, which ultimately eliminates redundant activities. Cost effectiveness reduces OM&A and capital expenditures and is achieved by leveraging Hydro One's economies of scale. These together result in sustained operational efficiencies, both quantitative and qualitative. With the integration of PDI's staff and operations with Hydro One's existing operations, Hydro One expects sustained operational efficiencies to be realized in distribution operations, administration, information technology and customer service.

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?

	Yes	No
Buy or Sell (Wholesale) electricity	☐	☑
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:

b) Has the Applicant or an affiliate applied for Ontario Energy Board Licences? If no, when planned?	Yes ☑ No ☐
This is 1937680 Ontario Inc.'s first application for a distribution licence, however, the affiliates as listed in response to Section 12 have applied for and/or currently hold licences issued by the OEB.	

D. Notice and Consent for Ontario Board to Collect Additional Information

AS REQUIRED BY THE FREEDOM OF INFORMATION AND PROTECTION OF INDIVIDUAL PRIVACY 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 licence does not guarantee accreditation by the IESO, or connection to a transmission or distribution system.

NOTE: This application must be signed by the proprietor or by at least one partner, officer or director of the organization.

WARNING: It is an offence to knowingly provide false information on this application.

I/We consent to the collection of this information as authorized under the *Ontario Energy Board Act, 1998.* Yes ☑

I/We understand that this information will be used to determine whether I am/we are and remain qualified for the licence for which I am/we are applying. Yes ☑

Print Name and Title	Signature of Applicant(s)	Date Signed
James Scarlett EVP and Chief Legal Officer	[signature]	Oct 11/18

E. Acknowledgement of Market Rules, Codes and Conditions

NOTE: This acknowledgement must be signed by the proprietor or by at least one partner, officer or director of the organization.

I understand and acknowledge that, as a licenced electricity distributor, I will be required, unless otherwise exempted:

- 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 *Electricity Act, 1998.*

Print Name and Title	Signature of Applicant(s)	Date Signed
James Scarlett EVP and Chief Legal Officer	Scarlett	Oct 11/18

CHECKLIST

Have You:

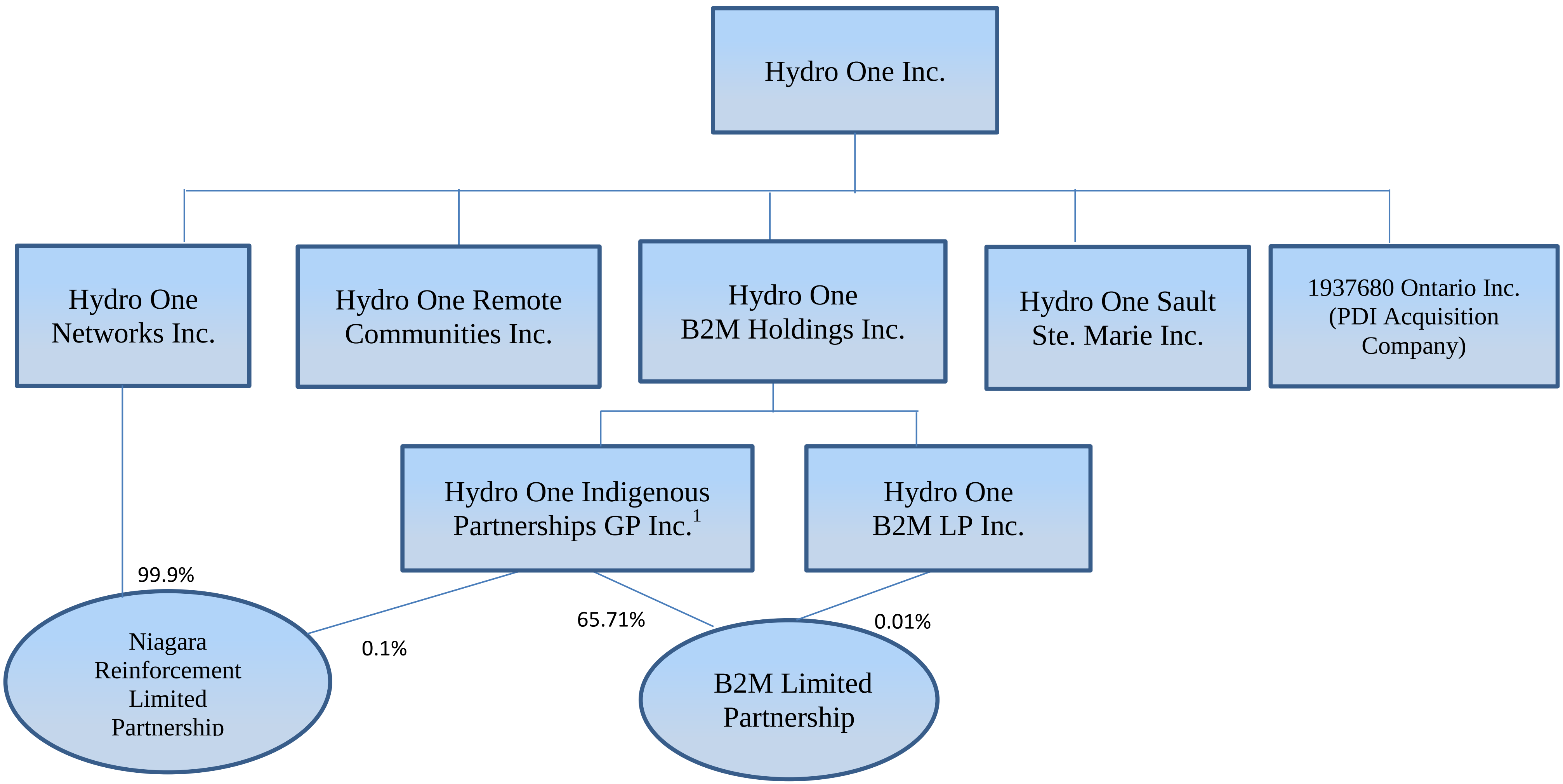
1.	Properly and fully completed this form? (Illegible, incomplete or improperly completed forms do not qualify for registration and will be delayed or returned.)	☑
2.	Enclosed a cheque or money order payable to the **ONTARIO ENERGY BOARD** in the amount prescribed?	☑
3.	Attached Section D, the signed "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.

Hydro One Inc. Corporate Structure



1 – Formerly B2M GP Inc.

Appendix B

James Scarlett
Director and Executive Vice President
1937680 Ontario Inc.

16a. Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act, 1998.*

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

Business Name	Licence Number	Related Experience
Hydro One Limited (“HOL”)	N/A	Chief Legal Officer
Hydro One Inc. (“HOI”)	N/A	Chief Legal Officer
Hydro One Remote Communities Inc. (“HORCI”)	ED-2003-0037	Director
Hydro One Telecom Inc. (“HOTI”)	N/A	Director
2587264 Ontario Inc.	N/A	Secretary
Hydro One Holdings Limited	N/A	Director and Secretary
Olympus Holding Corp.	N/A	Director and Vice President and Secretary
Olympus 1 LLC	N/A	Director and Executive Vice President
Olympus 2 LLC	N/A	Director and Executive Vice President
Olympus Equity LLC	N/A	Director and Executive Vice President
Olympus Corp.	N/A	Director and Vice President and Secretary

Appendix B

James Scarlett
Director and Executive Vice President
1937680 Ontario Inc.

16b. Has this person been a proprietor, partner, officer, or director of a business that was registered or 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.

Business Name	Legislation	Licence Number	Date of Licencing	Related Experience
Hydro One Limited ("HOL")	N/A	N/A	N/A	Chief Legal Officer
Hydro One Inc. ("HOI")	N/A	N/A	N/A	Chief Legal Officer
Hydro One Remote Communities Inc. ("HORCI")	*Ontario Energy Board Act, 1998*	ED-2003-0037	Dec 24, 2003	Director
Hydro One Telecom Inc. ("HOTI")	N/A	N/A	N/A	Director
2587264 Ontario Inc.	N/A	N/A	N/A	Secretary
Hydro One Holdings Limited	N/A	N/A	N/A	Director and Secretary
Olympus Holding Corp.	N/A	N/A	N/A	Director and Vice President and Secretary
Olympus 1 LLC	N/A	N/A	N/A	Director and Executive Vice President
Olympus 2 LLC	N/A	N/A	N/A	Director and Executive Vice President
Olympus Equity LLC	N/A	N/A	N/A	Director and Executive Vice President
Olympus Corp.	N/A	N/A	N/A	Director and Vice President and Secretary

Brad Bowness
Director, President and Secretary
1937680 Ontario Inc.

16a. Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act, 1998.*

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

Business Name	Licence Number	Related Experience
Norfolk Power Distribution Inc. (“NPDI”)	N/A	Director and President and Secretary
Haldimand County Hydro Inc.	N/A	Director and President and Secretary
Haldimand County Energy Inc.	N/A	Director and President and Secretary
Woodstock Hydro Services Inc.	N/A	Director and President and Secretary
Hydro One Lake Erie Link Management Inc. (“HOLELMI”)	N/A	Director and President and Secretary
1938454 Ontario Inc.	N/A	Director and President and Secretary
1943404 Ontario Inc.	N/A	Director and President and Secretary
1937681 Ontario Inc.	N/A	Director and President and Secretary
Norfolk Energy Inc. (“NEI”)	N/A	Director and President and Secretary

Brad Bowness
Director, President and Secretary
1937680 Ontario Inc.

16b. Has this person been a proprietor, partner, officer, or director of a business that was registered or 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.

Business Name	Legislation	Licence Number	Date of Licencing	Related Experience
Norfolk Power Distribution Inc. ("NPDI")	N/A	N/A	N/A	Director and President and Secretary
Haldimand County Hydro Inc.	N/A	N/A	N/A	Director and President and Secretary
Haldimand County Energy Inc.	N/A	N/A	N/A	Director and President and Secretary
Woodstock Hydro Services Inc.	N/A	N/A	N/A	Director and President and Secretary
Hydro One Lake Erie Link Management Inc. ("HOLELMI")	N/A	N/A	N/A	Director and President and Secretary
1938454 Ontario Inc.	N/A	N/A	N/A	Director and President and Secretary
1943404 Ontario Inc.	N/A	N/A	N/A	Director and President and Secretary
1937681 Ontario Inc.	N/A	N/A	N/A	Director and President and Secretary
Norfolk Energy Inc. ("NEI")	N/A	N/A	N/A	Director and President and Secretary

1937680 ONTARIO INC.

FINANCIAL STATEMENTS
(unaudited)

DECEMBER 31, 2017

1937680 ONTARIO INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)
For the years ended December 31, 2017 and 2016

Year ended December 31 *(Canadian dollars)*	2017	2016
Revenues	—	—
Costs	—	—
Income before income taxes	**—**	**—**
Income taxes	—	—
Net income	**—**	**—**
Other comprehensive income	—	—
Comprehensive income	**—**	**—**

1937680 ONTARIO INC.
BALANCE SHEETS (unaudited)
At December 31, 2017 and 2016

December 31 *(Canadian dollars)*	2017	2016
Assets		
Due from Hydro One Inc.	1	1
Total assets	**1**	**1**
Shareholder's equity		
Common shares	1	1
Total shareholder's equity	**1**	**1**

1937680 ONTARIO INC.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (unaudited)
For the years ended December 31, 2017 and 2016

Year ended December 31, 2017 *(Canadian dollars)*	Common Shares	Total Shareholder's Equity
January 1, 2017	1	1
December 31, 2017	**1**	**1**

Year ended December 31, 2016 *(Canadian dollars)*	Common Shares	Total Shareholder's Equity
January 1, 2016	1	1
December 31, 2016	**1**	**1**

1937680 ONTARIO INC.

FINANCIAL STATEMENTS
(unaudited)

DECEMBER 31, 2016

1937680 ONTARIO INC.
BALANCE SHEETS (unaudited)
At December 31, 2016 and 2015

December 31 *(Canadian dollars)*	2016	2015
Assets		
Due from Hydro One Inc.	1	1
Total assets	**1**	**1**
Contingencies (Note 4)		
Shareholder's equity		
Common shares *(Note 3)*	1	1
Total shareholder's equity	**1**	**1**

See accompanying notes to Financial Statements (unaudited).

1937680 ONTARIO INC.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (unaudited)
For the year ended December 31, 2016 and the period from November 5, 2015 to December 31, 2015

Year ended December 31, 2016 *(Canadian dollars)*	Common Shares	Total Shareholder's Equity
January 1, 2016	1	1
December 31, 2016	**1**	**1**

Period from November 5 to December 31, 2015 *(Canadian dollars)*	Common Shares	Total Shareholder's Equity
November 5, 2015	1	1
December 31, 2015	**1**	**1**

See accompanying notes to Financial Statements (unaudited).

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly owned by Hydro One Limited. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

1937680 Ontario Inc. (the Company) was incorporated on June 11, 2015, under the *Business Corporations Act* (Ontario). The Company is wholly owned by Hydro One.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles (GAAP) and in Canadian dollars. These Financial Statements have been prepared solely for the purpose of filing the Company's income tax return. As these Financial Statements have not been prepared for general purposes, some users may require additional information.

These Financial Statements are presented as at and for the year ended December 31, 2016. Statement of Cash Flows has not been presented as cash flow information is readily apparent from the Balance Sheet. The comparative information is presented as at December 31, 2015 and for the period from November 5, 2015 to December 31, 2015.

The Company performed an evaluation of subsequent events through to May 18, 2017, the date these Financial Statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these Financial Statements. No such events or transactions have been noted.

3. SHARE CAPITAL

The Company was incorporated on June 11, 2015. On the same date, Hydro One contributed $1 to the Company in consideration for 1 common share issued. The Company is authorized to issue an unlimited number of common and preferred shares. At December 31, 2016 and 2015, the Company had 1 issued and outstanding common share.

4. CONTINGENCIES

The Company is wholly owned by Hydro One. As such, the Company's assets are available to satisfy the debts, contingent liabilities and commitments of Hydro One.

18. Delivery

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:

N/A

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.**

1937680 Ontario Inc. ("1937680"), plans to own and operate the assets of PDI, and continue to provide electricity to current, and future customers, located in the current service territory of PDI. Within an 18 month period, 1937680 and Hydro One Networks Inc. (" Hydro One") intend to fully integrate PDI's former distribution system into that of Hydro One whereby it will become part of the larger distribution service territory. The asset sale and purchase transaction, as proposed in the s.86 MAAD application filed by Hydro One for OEB approval (EB-2018-0242) concurrently with this distribution licence application, contains additional details regarding Hydro One's ownership and operational plans (including forecast OM&A and Capital expenditure forecasts) for the next 11 years, and beyond.

Please refer to section 9, 'Description of Facilities', for operational information in terms of supply capacity, operational voltages and other distribution facility related information.

For PDI customer count information by class, please refer to **Attachment 2** of the s.86 application (EB-2018-0242).

As per the s.86 (EB-2018-0242) Application to the OEB, Hydro One does not intend to maintain separate financial statements for the PDI assets or the former service territory operations.

c) estimates of net annual cash flows for subsequent periods to demonstrate financial feasibility and security.

The purchase of the PDI distribution system assets is being facilitated via 1937680, which is fully owned by Hydro One Inc. 1937680 is only expected to own those distribution assets temporarily, up to a period of 18 months, at which time the assets of 1937680 will be transferred to Hydro One and the distribution systems and operations will then be fully integrated.

The Net PP&E of PDI's assets, as per PDI's 2017 audited Financial Statements, are approximately $74.9M (submitted in EB-2018-0242, Attachment 12).

Hydro One's net PP&E distribution assets, as per the 2017 audited Financial Statements, are approximately $7,324M (submitted in EB-2018-0242 Attachment 14).

Hydro One brings significant financial security and operational experience in terms of the ownership of the PDI assets and operation of the PDI service territory.

d) indication of the Applicant's plans to seek Ontario Energy Board approval for electricity distribution rates.

Hydro One's future distribution rate setting plans for PDI's distribution system and operations going forward are outlined in the s.86 MAAD application (EB-2018-0242) that has been filed concurrently with this distribution licence transfer application.

In brief, Hydro One plans to defer the rebasing of PDI's rates, after OEB approval, for a 10 year period. During that period Hydro One proposes the following to the PDI's OEB-approved electricity rates.

- Reducing the current Base Distribution Delivery Rates by one per cent across Residential, General Service and Large User rate classes, and to have such reduced rates apply for the next five years;
- Beginning in year six through to year ten of the deferral period, rates for the former customers of PDI will be set using the Price Cap adjustment mechanism, as outlined in the Board's Report: "Rate Making Associated with Distributor Consolidation" issued March 26, 2015 ("Amended Report"). At the commencement of year six, Hydro One will apply the OEB's Price Cap Index formula utilizing the former PDI's efficiency cohort factor (0.45%). This will be anchored to the current PDI Base Distribution Delivery Rates, and applied annually.
- After the 10 year rate rebasing deferral period has elapsed Hydro One proposes to submit a Cost of Service revenue requirement application to the OEB for approval to rebase customers' rates in the former PDI service territory.

Therefore, for the period where the assets are owned by 1937680, distribution rate changes anticipated to be requested for approval include a rate rider to implement the above mentioned 1% rate reduction to PDI's base distribution rates. Additionally, PDI's residential distribution rates will continue to be adjusted to move to a fully fixed distribution charge, per OEB Policy "*A New Distribution Rate Design for Residential Customers*" (EB-2012-0410). In EB-2015-0097, the OEB approved a four-year transition period for PDI to move to fixed rates, beginning in 2016 and is expected to culminate in fully fixed residential rates by the end of 2019.