

**Hydro One Networks Inc.**

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**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs



BY EMAIL AND COURIER

August 20, 2007

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

Dear Ms. Walli:

**RECEIVED**  
AUG 20 2007  
ONTARIO ENERGY BOARD

EB-2007-0688 – Revisions to Application for Leave to Sell Terrace Bay Superior Wires Inc.

In order to help expedite the Board's approval process for the sale of Terrace Bay Superior Wire Inc. ("Terrace Bay") to Hydro One Networks Inc. ("Hydro One"), which was filed with the Board on July 11, 2007, Hydro One has decided not to apply for rate harmonization pursuant to s. 78 of the *Ontario Energy Board Act, 1998* ("the Act") at this time.

As such, please find attached an updated "Preliminary Filing Requirements for Applications under Section 86" of the Act. The specific updates include:

- Part 1.1.3 Acknowledgement that Hydro One will be filing a completed "Preliminary Filing Requirements for a Notice of Proposal under Sections 80 and 81 of the Act. (filed under separate cover)
- Part 1.3.1 Revised business description for Hydro One Networks Inc.
- Part 2.1.4 Revised to reflect the maintenance of Terrace Bay's Street Light and Miscellaneous charges until Hydro One applies for rate harmonization.

Revised to reflect the maintenance of Terrace Bay's Regulatory Asset account until its expiry on April 30, 2008.

The Terrace Bay Tariff of Rates and Charges effective July 20, 2007 per the Board's Decision in EB-2007-0666 replaces the schedule of rates included with the initial application.

Sincerely,

A handwritten signature in cursive script that reads "Susan Frank".

Susan Frank

Attach. (3 copies)

# Ontario Energy Board

## Preliminary Filing Requirements For Applications under Section 86 Of the *Ontario Energy Board Act, 1998*

### INSTRUCTIONS:

All applicants must complete and file the information requested in Part I. If the transaction would result in a change in control of any of the parties to the proposed transaction, the applicant must also complete and file the information requested in Part II.

The Ontario Energy Board (the "Board") has established this form under section 13 of the *Ontario Energy Board Act, 1998* (the "Act") and requires that a proceeding under section 86 of the Act be commenced by filing this form. Please note that the Board may require information that is additional or supplementary to the information filed in this form and that the filing of the form does not preclude the applicant from filing additional or supplementary information.

For applications involving asset sales between licensed distributors or transmitters as made under section 86(1)(b) of the Act, the "Preliminary Filing Requirements for Applications Under Section 86(1)(b) of the *Ontario Energy Board Act, 1998*" form is required. For all other transactions made under section 86(1)(b), including leasing arrangements, this form should be used. If the transaction involves a leasing arrangement, the applicant must also complete and file the information requested in Part III. For transactions involving a non-licensed entity, please contact Market Operations at [market.operations@oeb.gov.on.ca](mailto:market.operations@oeb.gov.on.ca) for further guidance.

Persons giving a Notice of Proposal under sections 80 or 81 of the Act in addition to filing an application under section 86 of the Act must also complete the "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the *Ontario Energy Board Act, 1998*" form in addition to this form.

Please be advised that depending on the nature of the proposed transaction, the parties to the proposed transaction may be required to apply for the cancellation of an existing licence, an amendment to an existing licence, the issuance of a new licence or any combination thereof. Such applications are to be made under separate cover as those types of applications are subject to a separate process. Parties may apply for the cancellation of an existing licence, an amendment to an existing licence, the issuance of a new licence or any combination thereof at the same time the parties apply for approval of the proposed transaction.

### PART I: GENERAL MINIMUM FILING REQUIREMENTS

All applicants must complete and file the information requested in this Part.

#### 1.1 Nature of the application

1.1.1	Please indicate the nature of the application:	Check Box	
	For leave for a transmitter or distributor to sell, lease or otherwise dispose of all or substantially all of its transmission or distribution system (s. 86(1)(a)).	X	
	For leave for a transmitter or distributor to sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public (s.86(1)(b)).		
	For leave to amalgamate with any other corporation (s. 86(1)(c)).		
	For leave to acquire voting securities that will exceed 20% of a distributor or transmitter (s. 86(2)(a)).		

	For leave to acquire control of a company that holds more than 20% of the voting securities of a transmitter or distributor (s. 86(2)(b)).		
1.1.2	In conjunction with this application, will a notice of proposal be given to the Board under Section 80 of the Act, concerning the intention of a transmitter or distributor (or its affiliate) to acquire an interest in or construct a generation facility in Ontario or to purchase shares in a generation facility in Ontario? If so, this application must be filed together with a completed "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the <i>Ontario Energy Board Act, 1998</i> ".	No	
1.1.3	In conjunction with this application, will a notice of proposal be given to the Board under Section 81 of the Act, concerning the intention of a generator (or its affiliate) to acquire an interest in or construct a transmission or distribution facility in Ontario or to purchase shares in a transmission or distribution facility in Ontario? If so, this application must be filed together with a completed "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the <i>Ontario Energy Board Act, 1998</i> ".	Yes	

## 1.2 Identification of the Parties

### 1.2.1 Applicant

Name of Applicant <b>Terrace Bay Superior Wires Inc.</b>	File No: (Board Use Only)	
Address of Head Office  <b>P.O. Box 40 31 Simcoe Plaza Terrace Bay, Ontario P0T 2W0 Canada</b>	Telephone Number  <b>(807) 825-3315</b>	
	Facsimile Number  <b>(807) 825-9576</b>	
	E-mail Address - <b>cao@terrace-bay.com</b>	
Name of Individual to Contact  <b>Richard Beare Utility Manager (Acting)</b>	Telephone Number  <b>(807) 825-3315</b>	
	Facsimile Number  <b>(807) 825-9576</b>	
	E-mail Address - <b>cao@terrace-bay.com</b>	

**1.2.2 Other Parties to the Transaction**

*If more than one attach list*

<p>Name of Other Party</p> <p><b>Hydro One Networks Inc.</b></p>	<p>Board Use Only</p>	
<p>Address of Head Office</p> <p><b>483 Bay Street South Tower, 8<sup>th</sup> Floor Toronto, Ontario M5G 2P5</b></p>	<p>Telephone Number</p> <p><b>(416) 345-5913</b></p>	
	<p>Facsimile Number</p> <p><b>(416) 345-5866</b></p>	
	<p>E-mail Address -</p> <p><b>Glen.MacDonald@HydroOne.com</b></p>	
<p>Name of Individual to Contact</p> <p><b>Mr. Glen MacDonald</b></p>	<p>Telephone Number</p> <p><b>(416) 345-5913</b></p>	
	<p>Facsimile Number</p> <p><b>(416) 345-5866</b></p>	
	<p>E-mail Address -</p> <p><b>Glen.MacDonald@HydroOne.com</b></p>	
<p>1.2.3</p>	<p>Please attach a list of the officers, directors and shareholders of each of the parties to the proposed transaction.</p> <p><b>Hydro One Networks Inc.</b></p> <p><b>Directors:</b></p> <p>Laura Formusa (Chair)</p> <p>Beth Summers</p> <p>Tom Goldie</p> <p><b>Officers:</b></p> <p>Laura Formusa (President and CEO)</p> <p>Beth Summers (Chief Financial Officer)</p> <p>Joe Agostino (General Counsel – Acting)</p> <p>Maureen Wareham (Secretary – Acting)</p> <p><b>Hydro One Networks Inc. is 100% owned by Hydro One Inc., which in turn is 100% owned by the Province of Ontario.</b></p> <p><b>Terrace Bay Superior Wires Inc.</b></p> <p><b>Directors:</b></p> <p>Mike King, Board President, also Mayor of Township of Terrace Bay</p> <p>Mary-Clara Papineau, Board Vice President, (No shareholder affiliation)</p> <p>Tom Falzetta, Board Director only (No shareholder affiliation)</p> <p><b>Officers:</b></p> <p>Richard Beare , General Manager and Secretary-Treasurer for the Board (Acting) (No shareholder affiliation)</p> <p>Margaret Hartling, Deputy-Secretary-Treasurer for the Board, and also Treasurer for the Township of Terrace Bay</p> <p><b>Terrace Bay Superior Wires Inc. is 100% owned by the Corporation of the Township of Terrace Bay.</b></p>	

1.2.4	<p>Please attach a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.</p> <p><b>Attached</b></p>	
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**1.3 Description of the Businesses of the Each of the Parties**

1.3.1	<p>Please attach a description of the business of each of the parties to the proposed transaction, including each of their affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity ("Electricity Sector Affiliates").</p> <p><b>Hydro One Networks Inc. (Excerpted from Annual Information Form, dated February 16, 2007)</b></p> <p><b>Our distribution business, which represented approximately \$5.17 billion of our total assets of \$12.23 billion as at December 31, 2006, distributes electricity through our approximately 124,700 circuit-kilometre low-voltage distribution system, including phase multipliers, to municipalities and in rural areas. Customers of our distribution business include 34 local distribution companies that are not directly connected to our transmission system, 48 large industrial customers and approximately 1.3 million rural and urban customers.</b></p> <p><b>Terrace Bay Superior Wires Inc. (Excerpted from Financial Statements, dated December 31, 2006)</b></p> <p><b>Terrace Bay Superior wires Inc. is a wholly-owned subsidiary company of the Corporation of the Township of Terrace Bay, providing electrical distribution services to the inhabitants of the Township of Terrace Bay, as regulated by the Ontario Energy Board ("OEB").</b></p>	
1.3.2	<p>Please attach a description of the geographic territory served by each of the parties to the proposed transaction, including each of their Electricity Sector Affiliates, if applicable.</p> <p><b>Attached is Hydro One Networks Inc. Electricity Distribution Licence ED-2003-0043. See Schedule 1 for Definition of Distribution Service Area.</b></p> <p><b>Also, the attached map is a representation of Hydro One Networks' Distribution service territory. It is not a substitute for the written description in Hydro One Networks' Electricity Distribution Licence ED-2003-0043. The map is accurate where LDC boundaries conform to existing or former municipal boundaries but is only a best-effort representation in locations where there have been annexations or for other reasons the LDC boundaries are different from current or former municipal boundaries.</b></p> <p><b>Excerpted from Schedule 1 of the Terrace Bay Superior Wires Inc. Electricity Distribution Licence ED-2002-0543</b></p> <p><b>The Town site of the Township of Terrace Bay covering the area starting at Aquasabon River on the western boundary to a point on Hwy 17, 1 KM east of Mill Road in the Township of Terrace Bay, south to Lake Superior and north to the municipal boundary but excluding the pulp and paper mill; as served by the former Terrace Bay Hydro, now Terrace Bay Superior Wires Inc. (incorporated in October 2000), as of April 1, 1999.</b></p>	
1.3.3	<p>Please attach a description of the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.</p> <p><b>Attached</b></p>	

1.3.4	<p>Please provide a description of the proposed geographic service area of each of the parties after completion of the proposed transaction.</p> <p><b>Hydro One Networks Inc. ("Hydro One") geographic service area will be amended to include the Town of Terrace Bay ("Town"), and the license and geographic service area for Terrace Bay Superior Wires Inc. ("Corporation") will be cancelled.</b></p>	
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**1.4 Description of the Proposed Transaction**

1.4.1	<p>Please attach a detailed description of the proposed transaction.</p> <p><b>Hydro One will acquire the operating assets of the Corporation for cash consideration. Hydro One, the Corporation and the Town have agreed to exclude the following categories of assets that the Town wishes to retain. The parties have also agreed to make certain post-closing adjustments to adjust the final purchase price, based on the levels of working capital and net fixed assets at closing, as disclosed on the Corporation's audited financial statements for the period ending at the time of closing.</b></p> <p><b>Excluded Assets from the transaction –</b></p> <ul style="list-style-type: none"> <li><b>1808 Buildings and Fixtures</b></li> <li><b>1915 Office Furniture and Equipment</b></li> <li><b>1920 Computer Equipment – Hardware</b></li> <li><b>1925 Computer Software</b></li> </ul>	
1.4.2	<p>Please attach the details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.</p> <p><b>Hydro One will pay cash for the operating assets of the Corporation. The final dollar amount will be finalized and released after the post closing adjustments. One Hundred Thousand dollars (\$100,000) of the consideration will be paid as a deposit with the balance due on closing, subject to 20% of the Purchase Price being held in escrow for post-closing adjustments, and adjustments due to encumbrances or other claims.</b></p>	
1.4.3	<p>Please attach the financial statements (including balance sheet, income statement, and sources and uses of funds) of the parties to the proposed transaction for 2 complete years prior to the proposed transaction.</p> <p><b>The Applicant's financial statements are attached.</b></p> <p><b>For Hydro One, see item 1.5.1</b></p>	
1.4.4	<p>Please attach the pro forma financial statements of each of the parties reflecting completion of the proposed transaction for the first full year following the year of the transaction.</p> <p><b>Since the proposed transaction is an asset purchase, no new "proposed entity" will be created. The Distribution Facilities to be acquired by Hydro One by the asset purchase will be integrated together with its already existing distribution facilities. The future financial statements of Hydro One Networks Inc. will not be materially affected as the proposed transaction represents less than 1% of Hydro One's 2006 distribution utility rate base.</b></p>	

1.5 Other Information

1.5.1	<p>Please provide copies of all annual reports, proxy circulars, prospectuses or other information filed with securities commissions or similar authorities or sent to shareholders for each of the parties to the proposed transaction and their affiliates within the past 2 years.</p> <p><b>The complete package of information filed by Hydro One Inc. represents about 70 different documents per year. The Annual Report and Annual Information Form are attached as Schedule 1.5.1. Further information is available at the SEDAR website –</b></p> <p><b><u><a href="http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&amp;issuerNo=00014266">http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&amp;issuerNo=00014266</a></u></b></p> <p><b>The Corporation does not file any material with securities commissions</b></p>	
1.5.2	<p>Please list all legal documents (including those currently in draft form if not yet executed) to be used to implement the proposed transaction.</p> <p><b>Asset Purchase Agreement</b> <b>Holdback Escrow Agreement</b></p>	
1.5.3	<p>Please list all Board issued licences held by the parties and confirm that the parties will be in compliance with all licence, code and rule requirements both before and after the proposed transaction. If any of the parties will not be in compliance with all applicable licences, codes and rules after completion of the proposed transaction, please explain the reasons for such non-compliance. (Note: any application for an exemption from a provision of a rule or code is subject to a separate application process.)</p> <p><b>Hydro One Networks Inc. ED-2003-0043</b> <b>Terrace Bay Superior Wires Inc. ED-2002-0543</b></p> <p><b>Hydro One will be compliant with all applicable licenses, codes and rules after the completion of the proposed transaction. Upon closing, the Terrace Bay Superior Wires will apply to cancel its license as a Local Distribution Company in Ontario.</b></p>	
1.5.4	<p>Please explain whether the proposed transaction will cause a change of control, of any of the transmission or distribution system assets, at any time, during or by the end of the transaction. If yes, please complete Part II.</p> <p><b>The proposed transaction will result in a change in control as explained in PART II below.</b></p>	

**PART II: ADDITIONAL FILING REQUIREMENTS FOR CHANGE IN CONTROL**

If the proposed transaction would result in a change in control of any of the parties to the proposed transaction, this Part must be completed.

**2.1 Consumer Protection**

<p>2.1.1</p>	<p>Please indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.</p> <p><b>Customers of the Corporation will benefit in the long term from access to the greater depth of expertise of Hydro One in the management and maintenance of the distribution system and in the economies of scale that Hydro One can realize due to its size.</b></p> <p><b>Hydro One will follow all OEB guidelines with respect to rates as if the Corporation was to continue operating independently until we can harmonize rates. This will occur at Hydro One Distribution's next rate re-basing.</b></p> <p><b>For Hydro One's existing customers, they will also benefit in the long term because fixed costs of operations will be spread over a wider customer base.</b></p> <p><b>The decision to sell the assets of the Corporation was taken by the Town after a review of the options. With the assistance of advisers, Council gave thorough consideration of the costs, benefits and risks of various alternatives and decided that selling the Corporation's assets to Hydro One was in the best interest of the Corporation's customers. The Council, as the shareholder of the Corporation, was elected to represent the interests of the citizens of the Town.</b></p> <p><b>Hydro One will utilize personnel from its Marathon Operating Centre to provide emergency response for outages and necessary capital work or maintenance activities. Hydro One already serves customers surrounding portions of the Corporation's service territory. The Marathon Operating Centre is located 80 km from the Town.</b></p> <p><b>Billing, collecting and customer service inquiries will be handled by Hydro One's Customer Care Centre in Markham. This will give the customers of the Corporation access to the same level of customer service and billing systems that Hydro One's existing customers currently receive.</b></p>	
<p>2.1.2</p>	<p>Please describe the steps, including details of any capital expenditure plans that will be taken to ensure that operational safety and system integrity are maintained after completion of the proposed transaction.</p> <p><b>The acquired assets will be fully integrated with Hydro One's distribution assets to ensure the safe and secure operations and system integrity for both the acquired customers and the neighbouring Hydro One customers. The acquisition will not adversely affect the applicability of any Act or Regulation related to safety or system integrity.</b></p>	
<p>2.1.3</p>	<p>Please provide details, including any capital expenditure plans, of how quality and reliability of service will be maintained after completion of the proposed transaction. Indicate where service centres will be located and expected response times.</p> <p><b>In performing maintenance on the acquired system, Hydro One distribution system standards will be used. Hydro One will thereby be able to serve the customers of the Corporation with the same level of service Hydro One provides its existing customers by virtue of the existing customer service practices and policies of Hydro One.</b></p> <p><b>Electric utility service to customers currently served by the Corporation will remain subject to OEB regulation through the regulation of Hydro One service and rates.</b></p> <p><b>Hydro One will utilize personnel from its Marathon Operating Centre to provide emergency response for outages and necessary capital work or maintenance activities. Hydro One</b></p>	

	<p>already serves customers surrounding portions of the Corporation's service territory. The Marathon Operating Centre is located 80 km from the Town. This is significantly closer to Town than the location of the current contract service provider (Thunder Bay) performing all operating and maintenance work for the Applicant.</p>
2.1.4	<p>Please indicate whether the parties to the proposed transaction intend to undertake a rate harmonization process after the proposed transaction is completed. If yes, please provide a description of the plan.</p> <p><b>Hydro One will maintain the Corporation's approved Distribution rates and other pass-through charges as they have been approved by the OEB (Attached as Schedule 2.1.4). Hydro One will apply all OEB guideline's with respect to future rate adjustments to the distribution business of the Corporation in the same manner as the Corporation would have done if they had not been acquired by Hydro One and until the Corporations' rates are harmonized with Hydro One's rates.</b></p> <p><b>As soon as feasible, Hydro One will harmonize the Corporation's rates with its own distribution rates and other pass-through charges. Hydro One will apply for harmonization at its next distribution's rate re-basing.</b></p> <p><b>Hydro One will maintain the Corporation's approved regulatory asset account separately until its expiry on April 30, 2008.</b></p>
2.1.5	<p>Please identify all incremental costs that the parties to the proposed transaction expect to incur. These may include incremental transaction costs, (i.e., legal), incremental merged costs (i.e., employee severances) and incremental ongoing costs (i.e., purchase and maintenance of new IT systems). Please explain how the new utility plans to finance these costs.</p> <p><b>Incremental costs associated with the transaction include the integration costs to transfer the customers into Hydro One customer and outage management systems, plus initial costs to bring equipment up to Hydro One standards. These costs will be financed from the general funds of Hydro One.</b></p>
2.1.6	<p>Please describe the changes, if any, in distribution or transmission rate levels (as applicable) and the impact on the total bill that may result from the proposed transaction.</p> <p><b>See 2.1.4</b></p>
2.1.7	<p>Please provide details of the costs and benefits of the proposed transaction to the customers of the parties to the proposed transaction.</p> <p><b>Benefits to customers will include access to 24 hour outage response process, access to Conservation and Demand Management programs, including Smart Meter plans, 24 hour web access to their accounts, plus an option for e-billing via the internet.</b></p>

## 2.2 Economic Efficiency

2.2.1	<p>Please indicate the impact the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity). Details on the impacts of the proposed transaction on economic efficiency and cost effectiveness should include, but are not limited to, impacts on administration support functions such as IT, accounting, and customer service.</p> <p><b>Hydro One will be able to eliminate most of the administrative costs of the Applicant for centralized functions and perform them with existing staff and systems within Hydro One. Customers will be served by an existing service centre closer to town than the location of the current contract service provider performing all operating and maintenance work for the Corporation.</b></p>
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2.3 Financial Viability

2.3.1	<p>Please provide a valuation of any assets or shares that will be transferred in the proposed transaction. Provide details on how this value was determined, including any assumptions made about future rate levels.</p> <p><b>Hydro One and the Town have entered into an Asset Purchase Agreement whereby Hydro One will be purchasing all of the operating assets of the Corporation related to the business of distributing electrical power and energy to the customers within the boundaries of the Town.</b></p> <p><b>In formulating the decision to sell the assets of the Corporation to Hydro One, the Town relied heavily on the recommendation of the directors of the Corporation and the report of the Chief Administrative Officer of the Town. The Corporation's directors met on March 30, 2007 to review the Hydro One offer and recommended acceptance of the offer. The Chief Administrative Officer similarly recommended sale of the assets of the Corporation to Hydro One at the March 26, 2007 regular Town Council Meeting. Resolution CR 124-2007 was approved by Council providing authorization to accept the offer from Hydro One. A copy of the resolution is attached as 2.3.1.</b></p> <p><b>The Town is satisfied that the price to be received is fair and reasonable. The Town also retained the services of Grant Thornton LLP and O'Flynn Weese LLP, Barrister and Solicitors to advise and assist in conducting the sale of the assets of the Corporation.</b></p> <p><b>The Town excluded certain assets from the transaction. These assets and their respective Net Book Value include various PCB Storage and Information Technology assets worth \$41,000.</b></p> <p><b>As the purchaser, Hydro One used the book value of assets in determining the value of a business entity such as the Corporation. Hydro One considered other components of the financial statements as well as cash flow projections, an assessment of asset condition, one-time costs of integration and potential efficiency gains in assessing the value of the business. Further, prior to concluding the Asset Purchase Agreement, an extensive due diligence assessment will be carried out which is reflected in any necessary adjustments to the valuation.</b></p> <p><b>Hydro One has assumed that future rates for the Corporation's customers will be determined based on guidelines set out by the OEB.</b></p>
2.3.2	<p>If the price paid as part of the proposed transaction is significantly more than the book value of the assets of the selling utility, please provide details as to why this price will not have an adverse affect on the economic viability of the acquiring utility.</p> <p><b>The transaction does not represent a significant premium on book value.</b></p>
2.3.3	<p>Please provide details of the financing of the proposed transaction.</p> <p><b>The purchase will be financed through a combination of debt and equity. The proposed transaction will not impair the financial viability of Hydro One. The purchase represents less than 1% of Hydro One's 2006 distribution utility rate base.</b></p>
2.3.4	<p>Please outline the capital (debt /equity) structure, on an actual basis, of the parties to the proposed transaction prior to the transaction and on a pro forma basis after completion of the proposed transaction. In order to <u>allow the Board to assess any potential impacts on the utility's financial viability</u>, please include the terms associated with the debt structure of the utility as well as the utility's dividend policy after the completion of the proposed transaction. Please ensure that any debt covenants associated with the debt issue are also disclosed.</p> <p><b>The financial measures of Hydro One will not change materially as a result of this transaction.</b></p>

2.3.5	<p>Please provide details of any potential liabilities associated with the proposed transaction in relation to public health and safety matters or environmental matters. These may be matters that have been identified in the audited financial statements or they may be matters that the parties have become aware of since the release of the most recently audited financial statements. If there are any pre-existing potential liabilities regarding public health and safety matters or environmental matters for any party to the proposed transaction, provide details on how the parties propose to deal with those potential liabilities after the transaction is completed. Specify who will have on-going liability for the pre-existing potential liabilities.</p> <p><b>Under the Asset Purchase Agreement the Town has represented and warranted that the property over which the Distribution Facilities are located is not contaminated with any hazardous substances as a result of the operations or activities of the Corporation relating to or associated with the Distribution Facilities and/or as a result of any other activity of any third party which the Corporation knew about and, that except for PCBs contained in the transformers which are in service and which form part of the Distribution Facilities, the Distribution Facilities do not contain any hazardous substances. This representation and warranty survives for a 3-year period following the closing of the transaction.</b></p> <p><b>Hydro One manages numerous similar assets throughout the Province and has programs in place to deal with any relevant safety and environmental matters.</b></p>
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**2.4 Other**

2.4.1	<p>If the proposed transaction requires the approval of a parent company, municipal council or any other entity please provide a copy of appropriate resolutions indicating that all such parties have approved the proposed transaction.</p> <p><b>Attached</b></p>
2.4.2	<p>Please list all suits, actions, investigations, inquiries or proceedings by any government body, or other legal or administrative proceeding, except proceedings before the Board, that have been instituted or threatened against each of the parties to the proposed transaction or any of their respective affiliates.</p> <p><b>There are no proceedings by any government agency. The only outstanding action is a class action suit against all Ontario MEUs regarding late payment charges.</b></p>
2.4.3	<p>Regarding net metering thresholds, the Board will, absent exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remaining utility. Please indicate the current net metering thresholds of the utilities involved in the proposed transaction. Please also indicate if there are any special circumstances that may warrant the Board using a different methodology to determine the net metering threshold for the new or remaining utility.</p> <p><b>Current net metering thresholds per Attachment B of Notice of Amendment to the Distribution System Code that came into force February 10, 2006:</b>  <b>Hydro One Networks Inc. 14,330 kW</b>  <b>Terrace Bay Superior Wires Inc. 48 kW</b></p> <p><b>There are no special circumstances that warrant using a different methodology to determine the net metering threshold.</b></p>
2.4.4	<p>Please provide the Board with any other information that is relevant to the application. When providing this additional information, please have due regard to the Board's objectives in relation to electricity.</p> <p><b>None provided.</b></p>

**PART III: ADDITIONAL FILING REQUIREMENTS REGARDING LEASE TRANSACTIONS**

If the proposed transaction involves a leasing arrangement, this Part must be completed.

3.1.1	In addition to the information provided in section 1.3.4, please identify separately any assets in the service area that are owned, from those assets that are encumbered by any means, e.g., subject to a lease or debt covenant. <b>Not applicable.</b>	
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**How to Contact the Ontario Energy Board**

The Ontario Energy Board is located at:

P.O. Box 2319  
2300 Yonge Street, Suite 2701  
Toronto, Ontario  
M4P 1E4

Telephone:	416-481-1967
Toll Free Number:	1-888-632-6273
Fax:	416-440-7656
Website:	<a href="http://www.oeb.gov.on.ca">http://www.oeb.gov.on.ca</a>
Board Secretary's e-mail address:	<a href="mailto:boardsec@oeb.gov.on.ca">boardsec@oeb.gov.on.ca</a>

**SCHEDULE – 2.1.4**

**OEB Approved**  
**Terrace Bay Superior Wires Inc.**  
**Tariff of rates and charges**  
**Effective July 20, 2007**

# Terrace Bay Superior Wires Inc.

## TARIFF OF RATES AND CHARGES

### Effective July 20, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0666

#### APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the 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, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

#### EFFECTIVE DATES

DISTRIBUTION RATES – July 20, 2007 for all consumption or deemed consumption services used on or after that date.  
SPECIFIC SERVICE CHARGES – July 20, 2007 for all charges incurred by customers on or after that date.  
LOSS FACTOR ADJUSTMENT – July 20, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

#### SERVICE CLASSIFICATIONS

##### Residential

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. All customers are single-phase.

##### General Service Less Than 50 kW

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 50 to 4,999 kW

This classification applies to a non residential account 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, 50 kW but less than 5,000 kW.

##### Unmetered Scattered Load

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.

##### Street Lighting

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

# Terrace Bay Superior Wires Inc.

## TARIFF OF RATES AND CHARGES

Effective July 20, 2007

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

EB-2007-0666

### MONTHLY RATES AND CHARGES

#### Residential

Service Charge	\$	20.81
Distribution Volumetric Rate	\$/kWh	0.0145
Regulatory Asset Recovery	\$/kWh	0.0097
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0000
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service Less Than 50 kW

Service Charge	\$	41.34
Distribution Volumetric Rate	\$/kWh	0.0118
Regulatory Asset Recovery	\$/kWh	0.0082
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0000
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service 50 to 4,999 kW

Service Charge	\$	293.24
Distribution Volumetric Rate	\$/kW	4.0020
Regulatory Asset Recovery	\$/kW	2.2726
Retail Transmission Rate – Network Service Rate	\$/kW	1.9115
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.0000
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Unmetered Scattered Load

Service Charge (per connection)	\$	20.53
Distribution Volumetric Rate	\$/kWh	0.0129
Regulatory Asset Recovery	\$/kWh	0.0082
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0000
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Street Lighting

Service Charge (per connection)	\$	1.36
Distribution Volumetric Rate	\$/kW	4.2190
Regulatory Asset Recovery	\$/kW	2.9480
Retail Transmission Rate – Network Service Rate	\$/kW	1.4416
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.0000
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Terrace Bay Superior Wires Inc.

## TARIFF OF RATES AND CHARGES

### Effective July 20, 2007

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EB-2007-0666

#### Specific Service Charges

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 charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	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
Service call – customer-owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Temporary service install and remove – overhead – no transformer	\$	500.00
Temporary service install and remove – underground – no transformer	\$	300.00
Temporary service install and remove – overhead – with transformer	\$	1,000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

#### LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0426
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0321
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045