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September 18, 2007

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

**Re: 2008 Electricity Distribution Rates
EB-2007-0713**

Please find enclosed three hard copies of Hydro Ottawa Limited's 2008 Electricity Distribution Rates Application.

A complete copy of the Application has been filed electronically with the Board today.

If further information is required, please contact the undersigned at 613-738-5499 ext 527 or lynneanderson@hydroottawa.com.

Yours truly,

A handwritten signature in black ink, appearing to read "Lynne Anderson".

Lynne Anderson
Chief Regulatory Affairs and Government Relations Officer
Hydro Ottawa Holding Inc.
on behalf of
Hydro Ottawa Limited



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1 **ABBREVIATIONS AND DEFINED TERMS**

2

3 **1.0 ABBREVIATIONS**

4

5 Accounting Procedures Handbook (“APH”)

6 Advanced Metering Infrastructure (“AMI”)

7 Affiliate Relationships Code for Electricity Transmitters and Distributors (“ARC”)

8 Allowance for funds used during construction (“AFUDC”)

9 Asset Management Plan (“AMP”)

10 Bankers’ Acceptance (“BA”)

11 Base Revenue Requirement (“BRR”)

12 Canadian Electricity Association (“CEA”)

13 Canadian Institute of Chartered Accountants (“CICA”)

14 Canadian Radio-television and Telecommunications Commission (“CRTC”)

15 Canadian Standards Association (“CSA”)

16 Capital Cost Allowance (“CCA”)

17 Chief Operating Officer (“COO”)

18 City of Ottawa (the “City”)

19 Coalition of Large Distributors (“CLD”)

20 Computer Aid Facilities Management (“CAFM”)

21 Conservation and Demand Management (“CDM”)

22 Conservation Voltage Reduction (“CVR”)

23 Construction and Maintenance division (“CAM”)

24 Construction-Work-in-Progress (“CIP”)

25 Consumer Price Index (“CPI”)

26 Crosslink Polyethylene (“XLPE”)

27 Cumulative Eligible Capital (“CEC”)

28 Customer Care & Billing (“CC&B”)

29 Customer Information System (“CIS”)

30 Data Base Administrator (“DBA”)

31 Deloitte and Touche (“D&T”)



- 1 Distribution Asset Management division (“DAM”)
- 2 Distribution Reliability Response Maintainer (“DRRM”)
- 3 Electricity Distribution Rate (“EDR”)
- 4 Electricity Distributors Association (“EDA”)
- 5 Electronic Business Transactions (“EBT”)
- 6 Eligible Capital Expenditure (“ECE”)
- 7 Energy Ottawa Inc. (“Energy Ottawa”)
- 8 Enterprise Management Revenue (“ERM”)
- 9 Environment (“ENV”)
- 10 Fair Market Value (“FMV”)
- 11 Fault Circuit Indicator (“FCI”)
- 12 Full time equivalent (“FTE”)
- 13 General Accepted Accounting Principles (“GAAP”)
- 14 Geographic Information System (“GIS”)
- 15 Geographical Resource Management (“GRM”)
- 16 Gross Domestic Product (“GDP”)
- 17 Health and Safety (“H&S”)
- 18 Human Resources (“HR”)
- 19 Hydro Ottawa Holding Inc. (the “Holding Company”)
- 20 Incentive Regulation Mechanism (“IRM”)
- 21 Independent Electricity System Operator (the “IESO”)
- 22 Information Services and Technology (“IS&T”)
- 23 Information Technology (“IT”)
- 24 Integrated Gas Recover Services Inc. (“IGRS”)
- 25 Integrated Power System Plan (“IPSP”)
- 26 International Brotherhood of Electrical Workers (“IBEW”)
- 27 International Organization for Standardization (“ISO”)
- 28 J. D. Edwards (“JDE”)
- 29 Kilowatt (“kW”)
- 30 Kilowatt hours (“kWhs”)
- 31 Large Corporation Tax (“LCT”)



- 1 Light Rail Transit Line (“LRT”)
- 2 Local Distribution Company (“LDC”)
- 3 Long Canada Bond Forecast (“LCBF”)
- 4 Lost Revenue Adjustment Mechanism (“LRAM”)
- 5 Low Voltage (“LV”)
- 6 Mean Absolute Percentage Error (“MAPE”)
- 7 Meter Data Management/Repository (“MDM/R”)
- 8 Metering and Electricity Revenue (“MER”)
- 9 Municipal Electric Association Reciprocal Insurance Exchange (“MEARIE”)
- 10 Municipal Transformer Station (“MTS”)
- 11 Net Book Value (“NBV”)
- 12 Occupational Health, Safety and Environment (“OH&S”)
- 13 Occupational Health and Safety Assessment Series (“OHSAS”)
- 14 Ontario Energy Association (“OEA”)
- 15 Ontario Municipal Employees Retirement System (“OMERS”)
- 16 Ontario Power Authority (“OPA”)
- 17 Ontario Price Credit (“OPC”)
- 18 Ontario Regional Common Ground Alliance (“ORCGA”)
- 19 Operations and Maintenance (“O&M”)
- 20 Operations, Maintenance and Administration (“OM&A”)
- 21 Outage Management System (“OMS”)
- 22 Paid-up Capital (“PUC”)
- 23 Paper Insulated Lead Cable (“PILC”)
- 24 Payments in Lieu of Taxes (“PILs”)
- 25 Personal Computer (“PC”)
- 26 Polychlorinated Biphenyls (“PCBs”)
- 27 Power line Maintainer (“PLM”)
- 28 Power Take Off (“PTO”)
- 29 Production Action Reports (“PARs”)
- 30 Public Service Works on Highways Act (“PSWHA”)
- 31 Quality Assurance (“QA”)



- 1 Quality Control (“QC”)
- 2 Real Personal Income (“RPI”)
- 3 Regional Municipality of Ottawa-Carleton (the “Region”)
- 4 Regulated Price Plan (“RPP”)
- 5 Remote Terminal Unit (“RTU”)
- 6 Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for
- 7 Ontario’s Electricity Distributors (“Board Report on CoC and IRM”)
- 8 Reporting and Record Keeping Requirements (“RRR”)
- 9 Retail Cost Variance Account (“RCVA”)
- 10 Retail Settlement Variance Account (“RSVA”)
- 11 Return on Equity (“ROE”)
- 12 Second Generation Incentive Regulation Mechanism (“2GIRM”)
- 13 Service Level Agreements (“SLAs”)
- 14 Shared Savings Mechanism (“SSM”)
- 15 Smart Meters (“SM”)
- 16 Smart Meter Initiative (“SMI”)
- 17 SPL WorldGroup Inc. (“SPL”)
- 18 Sulphur Hexafluoride (“SF₆”)
- 19 Supervisory Control and Data Acquisition (“SCADA”)
- 20 System of Accounts (“SOA”)
- 21 Telecom Ottawa Holding Inc. (“Telecom Ottawa”)
- 22 Third Generation Incentive Regulation Mechanism (“3GIRM”)
- 23 Transformer Ownership Credit (“TOC”)
- 24 Undepreciated Capital Cost (“UCC”)
- 25 Uniform System of Accounts (“USofA”)
- 26 Unmetered Scattered Load (“USL”)
- 27 Work-order Supply Chain Process (“WSCP”)
- 28



1 **DEFINED TERMS**

2

3 'Historical Year' means 2006

4 'Bridge Year' means 2007; 2007 Estimate means actuals to June 30, 2007 and estimate
5 to December 31, 2007

6 'Test Year' means 2008

7

8 'Capital expenditure' is the amount spent on a capital project/program in a given year.

9 'Capital additions' are the amounts that are capitalized for the project/program in a given
10 year and are equal to the sum of the capital expenditures in the year plus the
11 construction work in progress from the previous year minus the construction work in
12 progress for the given year plus any deletions in the year.

13

14 'department' refers to the structural organization of Hydro Ottawa into Distribution Asset
15 Management, Construction and Maintenance, Finance, Information Services
16 Technology, Metering and Energy Revenue and Customer Communication and
17 Conservation

18 'group' or 'groupings' refers to the groups of Accounts prescribed in the 2006 Electricity
19 Distribution Rate Handbook

20 'business units' refers to a term used in Hydro Ottawa's financial system which refers to
21 the 'where' for each cost, such as a department or class of customer.

22

23 The following terms are defined here and used throughout the document:

24

25 'Board Filing Requirements' means the Board Filing Requirements for Transmission and
26 Distribution Applications

27 'EDR' means Electricity Distribution Rates

28 'Hydro Ottawa' or 'HOL' means Hydro Ottawa Limited

29 'Hydro One' means Hydro One Networks Inc.

30 'LDC' means electricity local distribution company



EB-2007-0713

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B, as amended;*

AND IN THE MATTER OF an Application by Hydro Ottawa Limited for an Order or Orders approving or fixing just and reasonable rates for 2008.

APPLICATION

1.0 Hydro Ottawa Limited (“Hydro Ottawa”) is a distributor as defined in, and is licensed as such under, the *Ontario Energy Board Act, 1998* (the “Act”). Hydro Ottawa holds Electricity Distribution Licence ED-2002-0556.

2.0 This Application is made in accordance with Chapter 2 – cost of service rate applications, based on a forward test year – of the Board’s *Filing Requirements for Transmission and Distribution Applications* dated November 14, 2006 (the “Filing Requirements”). Hydro Ottawa accordingly proposes the following title for the proceeding that is commenced by this Application:

Hydro Ottawa Limited
2008 Electricity Distribution Rates.



1 3.0 The test year is calendar 2008, as contemplated by the Filing Requirements, and
2 the base revenue requirement is \$148M.

3
4 4.0 The resultant rates would normally not be effective for the calendar year but for a
5 different 12-month period; namely, May 1, 2008 through April 30, 2009 (often
6 called the “rate year”). Hydro Ottawa would incur, as a result, a revenue
7 deficiency of \$3.5M during the period from January 1, 2008 through April 30,
8 2008 (the “Deficiency Period”). The derivation of the revenue deficiency is
9 provided in Exhibit I1-3-2. Hydro Ottawa is seeking approval for a rate rider to
10 recover this deficiency and, if approved, it would result in a further increase of
11 0.7% in the total electricity bill for the residential and 0.8% for the General
12 Service customers that are described in Section 3.0 above.

13
14 5.0 The Filing Requirements provide, in Chapter 2 at page 7, the following advice:
15 “[f]or the distributors, recognizing that rebasing may occur every three years, a
16 distributor may consider applying for deferral accounts for capital works during
17 the non-rebasing years” in relation to its 2nd Generation Incentive Regulation
18 Mechanism. This advice would presumably extend to the Board’s 3rd Generation
19 Incentive Regulation Mechanism. Hydro Ottawa is proposing a capital
20 adjustment factor, rather than deferral accounts, for 2009 and 2010 when its
21 rates will be adjusted in accordance with the Board’s 3rd Generation Incentive
22 Regulation Mechanism. The capital adjustment factor is described in Exhibit B4-
23 1-1. Hydro Ottawa is accordingly seeking the Board’s approval of its forecasts of
24 capital expenditures for 2009 and 2010 as the basis for determining the capital
25 adjustment factor for each year. These forecasts are provided in Exhibits B4-2-1,
26 B4-3-1 and B4-3-2.

27



1 6.0 Hydro Ottawa is installing Smart Meters to replace, and thereby to strand, its
2 existing meters. Hydro Ottawa nevertheless will retain the cost of the stranded
3 meters in rate base. Hydro Ottawa proposes to amortize this cost over a period of
4 four rate years commencing May 1, 2008. The current amortization period is 25
5 years.

6
7 7.0 The provincial Meter Data Management and Meter Data Repository (“MDM/R”)
8 will host and store meter reading data in connection with the Smart Meter
9 program. Hydro Ottawa expects to begin paying fees in 2008 for access to such
10 data for billing purposes. These fees have not yet been defined and, therefore,
11 Hydro Ottawa is unable to provide a forecast for 2008. Hydro Ottawa is
12 accordingly seeking a direction from the Board to record such fees in Account
13 1556 – Smart Meter OM&A Variance Account.

14
15 8.0 The City of Ottawa has passed Sewer Use By-law No. 2003-514 that may require
16 Hydro Ottawa to send all water pumped from its underground chambers to a
17 waste treatment facility. The water is runoff from city streets that enters the
18 chambers through manhole covers that have to remain unsealed for safety
19 reasons. This by-law is described in Exhibit D1-1-1. Hydro Ottawa forecasts the
20 costs of compliance at \$1.3M for 2008 but it is not yet certain that it will incur this
21 full incremental cost. Hydro Ottawa is accordingly seeking a deferral account in
22 this regard.

23
24 9.0 Hydro Ottawa has accumulated balances in its Board-approved deferral and
25 variance accounts since January 1, 2005. Hydro Ottawa proposes to clear the
26 account balances accumulated to June 30, 2007 with certain exceptions. Hydro
27 Ottawa is not seeking to clear its Smart Meter variance accounts; however, see
28 the amortization proposal in Section 6.0 above. Hydro Ottawa is also not seeking
29 to clear the Retail Settlement Variance Account (“RSVA”) RSVA_{POWER} – sub-
30 account global adjustment. Furthermore, for the remaining balance in the



1 RSVAP_{OWER} -control account, Hydro Ottawa is only seeking to clear the balance
2 accumulated to December 31, 2006.

3

4 10.0 Hydro Ottawa pays low voltage (“LV”) charges to Hydro One Networks Inc.
5 (“Hydro One”) for its use of shared distribution stations, shared distribution lines,
6 and specific distribution lines. Hydro Ottawa records these charges, net of its
7 own charges to customers for low voltage services, in Account 1550 – LV
8 Variance Account. On June 13, 2006, the Board provided direction that LV
9 charges and revenues would be recorded in Accounts 4750 and 4075
10 respectively, and these accounts are no longer part of distribution costs and
11 revenue. Therefore, Hydro Ottawa is seeking approval for a new LV Services
12 charge to customers to recover the LV charges from Hydro One, forecast to be
13 \$1.4M in 2008.

14

15 11.0 Hydro Ottawa accordingly applies to the Board, pursuant to section 78 of the Act,
16 for the following Orders:

17

18 (a) an Order approving Hydro Ottawa’s proposed rates for the 2008 rate
19 year, or fixing such other rates as the Board may find to be just and
20 reasonable, as the final rates effective May 1 2008;

21

22 (b) an Order declaring Hydro Ottawa’s current rates for the 2007 rate year to
23 be interim effective January 1, 2008 and, subsequently, an Order (i)
24 approving or fixing such rates to be the final rates for the Deficiency
25 Period, (ii) approving Hydro Ottawa’s recovery of the resultant revenue
26 deficiency for the Deficiency Period by means of class-specific rate riders,
27 and (iii) implementing such rate riders effective May 1, 2008 for the 2008
28 rate year or, in the alternative to both Orders, an Order approving a
29 deferral account for the revenue deficiency;

30

31 (c) an Order (i) approving Hydro Ottawa’s forecasts of capital expenditures
32 for 2009 and 2010 and (ii) approving the use of Hydro Ottawa’s proposed



1 methodology for determining a capital adjustment factor when approving
2 or fixing Hydro Ottawa's rates for the 2009 and 2010 rate year, under the
3 Board's 3rd Generation Incentive Regulation Mechanism or, in the
4 alternative to such an Order, an Order approving deferral accounts for the
5 impact of the 2009 and 2010 capital additions on Hydro Ottawa's revenue
6 requirement for each year;

7

8 (d) an Order approving Hydro Ottawa's proposal to amortize the cost of the
9 stranded meters that is included in rate base over a period of four rate
10 years commencing May 1, 2008;

11

12 (e) an Order directing Hydro Ottawa to record the fees paid to the MDM/R in
13 Account 1556;

14

15 (f) an Order approving a new deferral account to record costs incurred in
16 complying with the City of Ottawa's Sewer Use By-Law No. 2003-514;

17

18 (g) an Order approving clearance of the balances recorded in certain deferral
19 and variance accounts by means of rate riders effective May 1, 2008 for
20 the 2008 rate year; and

21

22 (h) an Order approving a separate charge for Low Voltage Services effective
23 May 1, 2008.

24

25 12.0 This Application is supported by the written evidence that is enumerated in
26 Exhibit A1-1-1 and filed with this Application. Hydro Ottawa may amend or
27 supplement this written evidence prior to or during the course of the Board's
28 hearing of this Application.

29



- 1 13.0 This Application will also be supported by additional written evidence and by oral
2 evidence if the Board decides to conduct an oral hearing. This supporting
3 evidence would be provided by Hydro Ottawa's personnel.
4
- 5 14.0 Hydro Ottawa requests the Board to give reasons in writing for its final decision
6 and order(s) in this proceeding. This request is made pursuant to subsection
7 17(1) of the *Statutory Powers Procedure Act*.
8
- 9 15.0 The names of Hydro Ottawa's authorized representative and its counsel, with
10 their contact information, are set out in Exhibit A1-3-2. Hydro Ottawa requests
11 that all documents to be served on Hydro Ottawa in this proceeding be served on
12 its authorized representative and its counsel.
13
- 14 16.0 This Application and the written evidence in support of it are respectfully
15 submitted to the Board from Ottawa, Ontario on September 18, 2007 by Lynne
16 Anderson, Chief Regulatory Affairs & Government Relations Officer, Hydro
17 Ottawa.



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DISTRIBUTION LICENCE

Attached is Hydro Ottawa's Electricity Distribution Licence ED-2002-0556 issued on June 9, 2003 (valid until March 31, 2023).

Hydro Ottawa is not exempted from any conditions of its licence and does not have any special conditions or restrictions in its licence.



Electricity Distribution Licence

ED-2002-0556

Hydro Ottawa Limited

Valid Until

March 31, 2023

M. C. Garner

Mark C. Garner
Director of Licensing
Ontario Energy Board

Date of Issuance: June 9, 2003

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario
C.P. 2319 2300, rue Yonge 26e étage
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Electricity Distribution Licence

1 Definitions

In this Licence:

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

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

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

"**Board**" means the Ontario Energy Board;

"**Director**" means the Director of Licensing appointed under section 5 of the *Act*;

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

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

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

"**Licensee**" means Hydro Ottawa Limited;

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

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

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

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

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

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

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

2 Interpretation

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

3 Authorization Granted under this Licence

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

- a) To own and operate a distribution system in the service area described in Schedule 1 of this Licence; 25
- b) To retail electricity for the purposes of fulfilling its obligation under section 29 of the *Electricity Act* in the manner specified in Schedule 2 of this Licence; and , 26
- c) To act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the *Electricity Act*. 27

4 Obligation to Comply with Legislation, Regulations and Market Rules 28

- 4.1 The Licensee shall comply with all applicable provisions of the *Act* and the *Electricity Act* and regulations under these Acts except where the Licensee has been exempted from such compliance by regulation. 29
- 4.2 The Licensee shall comply with all applicable Market Rules. 30

5 Obligation to Comply with Codes 31

5.1 The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions to this requirement are set out in Schedule 3 of this Licence: 32

- a) the Affiliate Relationships Code for Electricity Distributors and Transmitters; 33
- b) the Distribution System Code; 34
- c) the Retail Settlement Code, and; 35
- d) the Standard Supply Service Code. 36

5.2 The Licensee shall: 37

- a) Make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours and; 38

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

39

6 Obligation to Provide Non-discriminatory Access

40

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

41

7 Obligation to Connect

42

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

43

- a) The building lies along any of the lines of the distributor's distribution system, and
- b) The owner, occupant or other person in charge of the building requests the connection in writing.

44

45

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

46

- a) The building is within the Licensee's service area as described in Schedule 1, and
- b) The owner, occupant or other person in charge of the building requests the connection in writing.

47

48

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

49

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

50

8	Obligation to Sell Electricity	51
8.1	The Licensee shall fulfill its obligation under section 29 of the <i>Electricity Act</i> to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board.	52
9	Obligation to Maintain System Integrity	53
9.1	The Licensee shall maintain its distribution system to the standards established in the Distribution System Code, Market Rules and have regard to any other recognized industry operating or planning standards adopted by the Board.	54
10	Market Power Mitigation Rebates	55
10.1	The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.	56
11	Distribution Rates	57
11.1	The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the <i>Electricity Act</i> except in accordance with a Rate Order of the Board.	58
12	Separation of Business Activities	59
12.1	The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.	60
13	Expansion of Distribution System	61
13.1	The Licensee shall not construct, expand or reinforce an electricity distribution system or make and interconnection except in accordance with the <i>Act</i> and Regulations, the Distribution System Code and applicable provisions of the Market Rules.	62

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

63

14 Provision of Information to the Board and Director of Licensing

64

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

65

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

66

15 Restrictions on Provision of Information

67

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

68

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

69

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

70

b) for billing, settlement or market operations purposes;

71

c) for law enforcement purposes; or

72

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

73

15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified. 74

15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent. 75

15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed. 76

16 Customer Complaint and Dispute Resolution 77

16.1 The Licensee shall: 78

a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner; 79

b) publish information which will make its customers aware of and help them to use its dispute resolution process; 80

c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours; 81

d) give or send free of charge a copy of the process to any person who reasonably requests it; and 82

e) refer unresolved complaints and subscribe to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Director. The Director will provide reasonable notice to the Licensee of the date this condition becomes effective. 83

17 Term of Licence 84

17.1 This Licence shall take effect on June 9, 2003 and terminate on March 31, 2023. 85

18 Transfer of Licence

86

18.1 In accordance with subsection 18(2) of the *Act*, this Licence is not transferable or assignable without leave of the Board.

87

19 Amendment of Licence

88

19.1 The Board may amend this Licence in accordance with section 74 of the *Act* or section 38 of the *Electricity Act*.

89

20 Fees and Assessments

90

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

91

21 Communication

92

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

93

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

94

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

95

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

96

b) seven (7) business days after the date of posting if the communication is sent by regular mail; and,

97

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

98

22 Copies of the Licence

99

22.1 The Licensee shall:

100

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

101

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

102

Schedule 1 Definition of Distribution Service Area

103

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8 of this Licence.

104

1 The City of Gloucester as of December 31, 2000, now within the City of Ottawa.

105

2 The portion of the former Township of Rideau on Long Island, North of Bridge Street as of December 31, 2000, now within the City of Ottawa.

106

3 The Township of Goulbourn as of December 31, 2000, now within the City of Ottawa.

107

4 The City of Kanata as of December 31, 2000, now within the City of Ottawa.

108

5 The City of Nepean as of December 31, 2000, now within the City of Ottawa.

109

6 The City of Ottawa as of December 31, 2000.

110

7 The Village of Rockcliffe Park as of December 31, 2000, now within the City of Ottawa.

111

8 The City of Vanier as of December 31, 2000, now within the City of Ottawa.

112

9 The Village of Casselman, County of Russell as at May 1, 2002.

113

Schedule 2 Provision of Standard Supply Service

114

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

115

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with condition 8 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

116

Schedule 3 List of Code Exemptions

117

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

118

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

119

Appendix A Market Power Mitigation Rebates

120

1 Definitions and Interpretation

121

In this Licence,

122

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

123

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

124

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

125

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

126

2 Information Given to IMO

127

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

128

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

129

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

130

b Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IMO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the

131

rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.
- c Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

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

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

3 Pass Through of Rebate

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

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

- b consumers who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

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

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

"ONTARIO POWER GENERATION INC. rebate"

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

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

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



1 **CONTACT INFORMATION**

2
3 The following are the names and addresses of Hydro Ottawa's authorized
4 representative and its counsel:

5
6 (a) authorized representative:

7
8 Ms. Lynne Anderson
9 Chief Regulatory Affairs &
10 Government Relations Officer
11 Hydro Ottawa Holding Inc.

12
13 Address for personal service
14 and mailing address:

3025 Albion Road North
P.O. Box 8700
Ottawa, Ontario
K1G 3S4

18
19 Telephone: (613) 738-5499, ext. 527

20 Facsimile: (613) 738-5485

21 E-mail lynneanderson@hydroottawa.com

22
23 (b) counsel:

24
25 Mr. Jerry Farrell and Ms Helen T. Newland
26 Fraser Milner Casgrain LLP
27



1 Address for personal service
2 and mailing address (for both): Suite 3900
3 1 First Canadian Place
4 100 King Street West
5 Toronto, Ontario
6 M5X 1B2
7
8 Telephone (for Farrell): (416) 863-4384
9 Telephone (for Newland): (416) 863-4471
10
11 Facsimile (for both): (416) 863-4592
12
13 E-mail (for Farrell): jerry.farrell@fmc-law.com
14 E-mail (for Newland): helen.newland@fmc-law.com



1 **SPECIFIC APPROVALS REQUESTED**
2

3 Hydro Ottawa requests the following specific approvals:
4

5 1. The approval of (a) Hydro Ottawa's forecast Base Revenue Requirement for the
6 Test Year, or such other Base Revenue Requirement as the Board may find
7 reasonable for the Test Year, in each case adjusted as required to update the
8 ROE as described in Exhibit F1-1-3 and short-term debt rate as described in
9 Exhibit F1-1-2 and (b) corresponding final rates effective May 1, 2008.

10
11 2. The approval of (a) the revenue deficiency that arises by virtue of the timing
12 difference between the Test Year (i.e., calendar 2008) and the 2008 rate year
13 and (b) the recovery of the revenue deficiency by means of class-specific rate
14 riders as follows:

15
16 (a) declaring Hydro Ottawa's current 2007 rates as interim rates for the
17 period from January 1, 2008 to April 30, 2008;

18
19 (b) subsequently approving such interim rates as the final rates for the same
20 period;

21
22 (c) finding the resultant revenue deficiency to be \$3.5M, using Hydro
23 Ottawa's methodology in Exhibit I1-3-2, or to be such other amount as the
24 Board may find reasonable; and

25
26 (d) approving class-specific rate riders to recover the resultant revenue
27 deficiency and implementing it effective May 1, 2008 for the 2008 rate
28 year.

29
30 3. In the alternative, if the Board does not grant the approvals in paragraph 1, the
31 approval of a deferral account to record the difference between (a) Hydro



- 1 Ottawa's revenue under its existing rates during the period from January 1, 2008
2 to April 30, 2008 and (b) Hydro Ottawa's Base Revenue Requirement as
3 adjusted in Exhibit I1-3-2 for the same period.
4
- 5 4. The approval of (a) Hydro Ottawa's forecasts of capital expenditures for 2009
6 and 2010, or such other amounts of capital expenditures as the Board may find
7 reasonable for those years, and (b) the use of Hydro Ottawa's proposed
8 methodology for determining a capital adjustment factor for each year, or such
9 other methodology as the Board may find reasonable, when approving or fixing
10 Hydro Ottawa's rates for the 2009 and 2010 rate years, respectively, under the
11 Board's 3rd Generation Incentive Regulation Mechanism.
12
- 13 5. In the alternative, if the Board does grant the approvals in paragraph 4, the
14 approval of deferral accounts to record the difference between (a) Hydro
15 Ottawa's Service Revenue Requirement for 2009 and for 2010 and (b) that
16 revenue requirement as adjusted to reflect Hydro Ottawa's capital additions in
17 each year.
18
- 19 6. The approval of Hydro Ottawa's proposal to amortize the cost of stranded meters
20 that is included in rate base over a period of four years commencing May 1, 2008
21 and the resultant effect on Hydro Ottawa's Service Revenue Requirement for the
22 Test Year.
23
- 24 7. The approval of Hydro Ottawa's proposal to record the fees paid to the provincial
25 Meter Data management and Meter Data Repository in Account 1556 – Smart
26 Meter OM&A Variance Account.
27
- 28 8. The approval of a new deferral account to record costs incurred in complying with
29 the City of Ottawa's Sewer Use By-law No. 2003-514.



- 1 9. The approval of clearing the balances recorded in certain deferral and variance
2 accounts by means of class-specific rate riders effective May 1, 2008 for the
3 2008 rate year.
4
- 5 10. The approval of a separate charge for Low Voltage Services effective May 1,
6 2008.
7
- 8 11. The approval of the following two revisions of Specific Service Charges: (a)
9 "Returned Cheque Charge" is revised to read "Unprocessed Payment Charge"
10 and (b) updated rates for Dry Core Transformer Charges and the addition of
11 more sizes of Dry Core Transformers. These revisions are incorporated in Hydro
12 Ottawa's proposed Tariff of Rates and Charges effective May 1, 2008.



1

DRAFT ISSUES LIST

2

3 Hydro Ottawa considers that, at this point, its list of “specific approvals requested” in

4 Exhibit A1-4-1 sufficiently identifies the relevant issues.



1 **PROCEDURAL ORDERS/MOTIONS/CORRESPONDENCE**

2

3 Procedural orders will be filed, when received, as part of this exhibit.



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ACCOUNTING ORDERS REQUESTED

1.0 ACCOUNTING ORDER #1 – REVENUE DEFICIENCY DUE TO RATE YEAR

The Board’s Electricity Reporting and Record-keeping Requirements (“RRRs”) effectively require LDCs to adopt the calendar year as their fiscal year – see Sections 2.1.6 and 2.1.7 – because all LDCs must comply with the RRRs as a condition of their individual licences. With a fiscal year based on the calendar year, all budgeting and reporting processes are in support of calendar year forecasts. The rate year is now from May 1st of one year to April 30th of the next. This means that the rates for one-third of the calendar year will not reflect the forecast costs for that year. For this reason, Hydro Ottawa has calculated a revenue deficiency for the first four months of the calendar year 2008, as described in Exhibit I1-3-2.

Hydro Ottawa is accordingly seeking approval to recover the deficiency by means of a rate rider for the period from May 1, 2008 to April 30, 2009. Should the Board not approve such a rate rider, Hydro Ottawa is seeking – in the alternative – approval of a deferral account for the revenue deficiency.

2.0 ACCOUNTING ORDER #2 - DEFERRAL ACCOUNT FOR CAPITAL WORKS

The Board’s Filing Requirements provide, in Chapter 2 at page 7, the following advice: “[f]or the distributors, recognizing that rebasing may occur every three years, a distributor may consider applying for deferral accounts for capital works during the non-rebasing years”. This advice would presumably extend to the Board’s 3rd Generation Incentive Regulation Mechanism (“3GIRM”).

Hydro Ottawa’s preference is to adjust its distribution rates for 2009 and 2010 to recover the impact of the capital additions on its revenue requirement in each year rather than deferring the recovery to a future period.



1 Hydro Ottawa is accordingly seeking approval for its capital expenditures for 2009 and
2 2010 and approval of the use of its proposed methodology for determining a capital
3 adjustment factor when approving or fixing its 2009 and 2010 rates under the Board's
4 3GIRM; see Exhibit B4-1-1 for details. Should the Board not approve the methodology
5 for the capital adjustment factor; however, Hydro Ottawa is seeking - in the alternative -
6 a deferral account for the impact of its 2009 and 2010 capital additions on its revenue
7 requirement for each year.

8
9

10 **3.0 ACCOUNTING ORDER #3 – ENVIRONMENTAL COSTS**

11

12 As described in Exhibit D1-1-1, the City of Ottawa passed Sewer Use By-Law No. 2003-
13 514 that requires all water found in manholes to be tested before going to sewers and
14 storm drains. The practical implication of this by-law is that all water must be pumped out
15 and taken to a waste treatment facility at a cost estimated at \$1.3M per year. The water
16 in manholes comes from runoff from city streets that normally is evacuated through
17 storm drains, but has found entry into Hydro Ottawa's chambers through the manholes.

18

19 Hydro Ottawa is further evaluating this issue and at this point it is not certain if Hydro
20 Ottawa will incur this \$1.3M of incremental costs. Hydro Ottawa is accordingly seeking a
21 deferral account for these costs, should they be incurred.



1 **NON-COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS**

2
3 Hydro Ottawa makes every effort to follow the main categories and accounting
4 guidelines as stated in the *Uniform System of Accounts* (“USoA”) in the Board’s
5 *Accounting Procedures Handbook* (“APH”) with the following exceptions and
6 qualifications.

7
8 In order to more effectively manage its operations, Hydro Ottawa has adopted its
9 own system of accounts (“SOA”). This system includes a “business unit” that
10 identifies the “where” for each cost, such as a specific department, class of
11 customer, account type, etc. There is also an “object code” that identifies the “what”
12 for each cost; in other words, the type of cost such as labour, office supplies,
13 training, tools and equipment, etc. Numbers provided in this application are the result
14 of a forecast using Hydro Ottawa’s business planning process and its own SOA, then
15 mapping these accounts to the USoA. Hydro Ottawa has used a consistent approach
16 for mapping accounts for the 2006 Actual, 2007 Estimate and 2008 Forecast;
17 however, this has involved some modifications from the mapping used in prior years.
18 The test year forecasts from the Hydro Ottawa’s 2006 EDR Application were
19 completed directly in the USoA rather than mapped from the SOA. While this did not
20 affect the overall Operations, Maintenance and Administration (“OM&A”) costs, it did
21 affect the costs reflected in each account grouping; that is, in each group of USoA
22 accounts.

23
24 Hydro Ottawa’s organization of its operations and maintenance functions underwent
25 a change at the end of 2006 that created some changes in how costs have been
26 mapped between the operations, maintenance and administration groupings.
27 Material differences that affect the variance explanations are included in the Exhibit
28 D1 series. In particular, for years prior to 2008, Hydro Ottawa allocated
29 Administration costs to Operations and Maintenance (“O&M”). This had the effect of
30 lowering the Administration costs and increasing the O&M costs. For 2008, in order
31 to simplify the accounting process, Administration costs are no longer allocated out

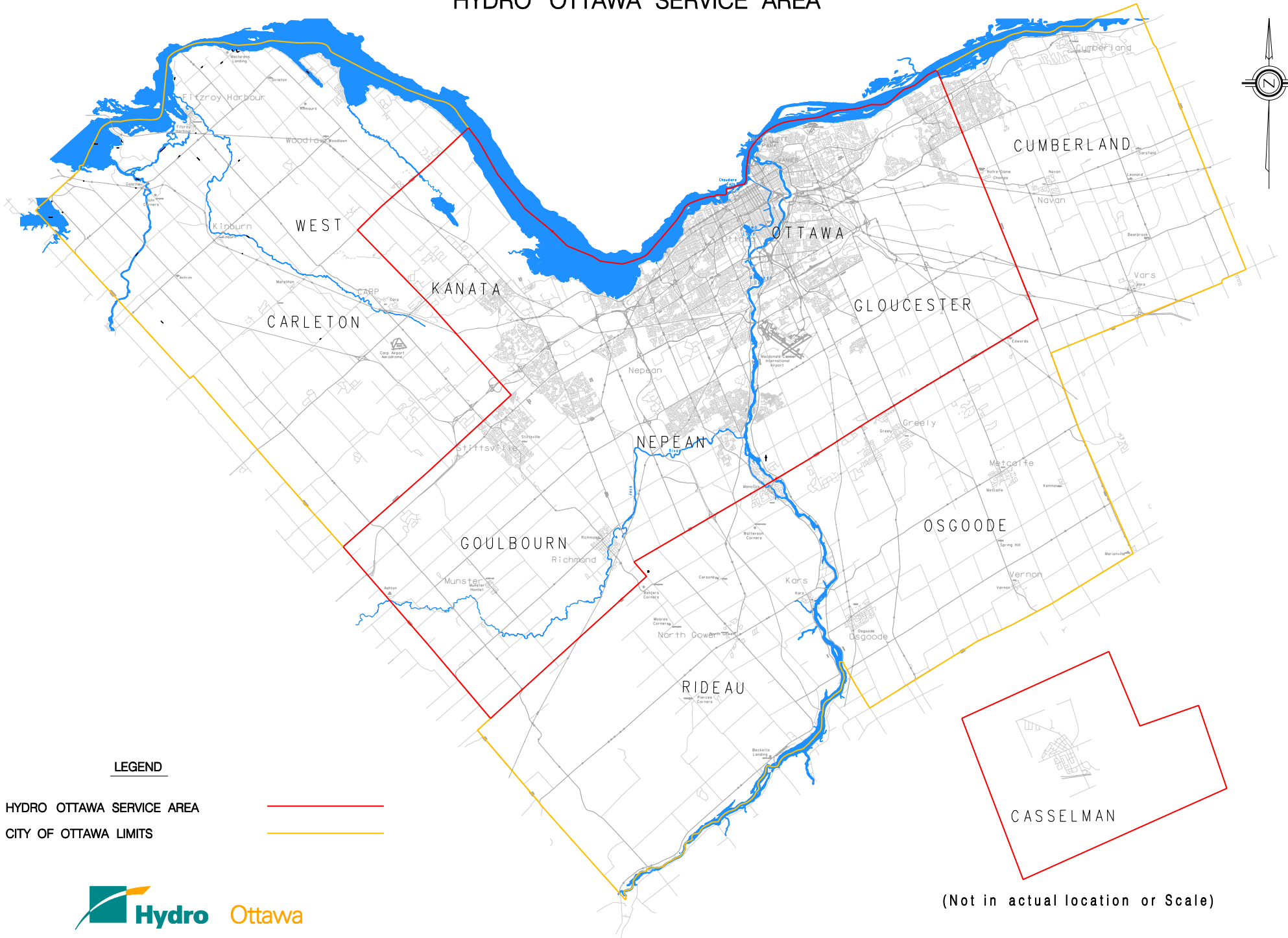


1 to O&M. This results in an increase year over year to the Administration grouping
2 and a corresponding decrease in the O&M grouping. This approach for 2008 should
3 provide greater comparability between Hydro Ottawa and other LDCs in the
4 province.



- 1
- 2
- 3 **MAP OF SYSTEM**
A map of the Hydro Ottawa service area is attached.

HYDRO OTTAWA SERVICE AREA



LEGEND

HYDRO OTTAWA SERVICE AREA

CITY OF OTTAWA LIMITS





1

LIST OF NEIGHBOURING UTILITIES

2

3 Except for the Ottawa River to the north, Hydro Ottawa's service area is completely
4 surrounded by the service area of Hydro One.



1 **CORPORATE OVERVIEW**

2

3 Hydro Ottawa was created in 2000 as a distributor in conjunction with the restructuring of
4 the former Regional Municipality of Ottawa-Carleton (the "Region"). All assets, liabilities
5 and employees of the former municipal electric utilities in the Region (generally referred
6 to as Gloucester Hydro, Goulbourn Hydro, Kanata Hydro, Nepean Hydro and Ottawa
7 Hydro) were transferred to the new company, except for the generating and water
8 heating assets that were transferred to Energy Ottawa Inc. ("Energy Ottawa"). Energy
9 Ottawa was, and still is, an affiliate of Hydro Ottawa.

10

11 This transfer is frequently referred to as the "amalgamation" of the five former municipal
12 electricity utilities. Ottawa Hydro was also serving the old municipalities of Rockcliffe
13 Park and Vanier, at the time of amalgamation, and so Hydro Ottawa's service area
14 comprised the geographic areas of these seven old municipalities after the
15 amalgamation. Hydro One Networks Inc. continued to serve the other four (and mostly
16 rural) former municipalities.

17

18 Hydro Ottawa acquired the assets of Casselman Hydro Inc. in April 2002. The Village of
19 Casselman is located approximately 30 kilometres from the east boundary of the City of
20 Ottawa. The Board approved this transaction and, as a result, amended Hydro Ottawa's
21 distribution licence to include the Village of Casselman in the description of Hydro
22 Ottawa's service area.

23

24 Hydro Ottawa is a wholly owned subsidiary of Hydro Ottawa Holding Inc. (the "Holding
25 Company"), which in turn is wholly owned by the City of Ottawa (the "City"). An 11-
26 member Board of Directors provides oversight to the Holding Company and also to
27 Energy Ottawa and a third subsidiary organized in 2002, Telecom Ottawa Holding Inc.
28 ("Telecom Ottawa"). Hydro Ottawa has a separate seven-member Board of Directors
29 that meets the requirements for independence set out in Section 2.1.3 of the *Affiliate
30 Relationships Code for Electricity Transmitters and Distributors* ("ARC").



1 The principal business of the Holding Company is the strategic oversight of Hydro
2 Ottawa, Energy Ottawa and Telecom Ottawa. The role of the Holding Company is to:

- 3
- 4 • Assess the strategic value of the business activities of each subsidiary,
 - 5 • Evaluate the performance of each subsidiary including an internal audit function,
 - 6 • Provide strategic direction to the subsidiaries on matters of finance, risk
7 mitigation, legal and regulatory requirements, communications and public affairs,
8 human resources, information technology and business development,
 - 9 • Provide financing for subsidiary operations, and
 - 10 • Report to the Shareholder (the City).
- 11

12 Hydro Ottawa maintains its own operational departments for regulatory affairs, human
13 resources and information technology but strategic oversight is provided by the Holding
14 Company.

15

16 Energy Ottawa is a licensed generator that produces EcoLogo certified “green power”
17 from hydroelectric generating stations at Chaudière Falls on the Ottawa River near
18 Parliament Hill and land fill methane generation at the Trail Road landfill site through a
19 partnership with Integrated Gas Recover Services Inc.

20

21 Telecom Ottawa is a specialized telecommunications carrier providing broadband
22 services mainly to public institutions in the City and other parts of Eastern Ontario.
23 Telecom Ottawa carries out its activities through three operating subsidiaries: Telecom
24 Ottawa Limited, Telecom Ottawa Regional Limited and 2038455 Ontario Inc.

25

26 The Holding Company, together with Hydro Ottawa and the other subsidiaries, is called
27 the Hydro Ottawa Group of Companies and also, at times, the Corporation. In 2006,
28 Hydro Ottawa contributed approximately 96% of the revenues of the Group and owned
29 more than 87% of the Group’s assets.



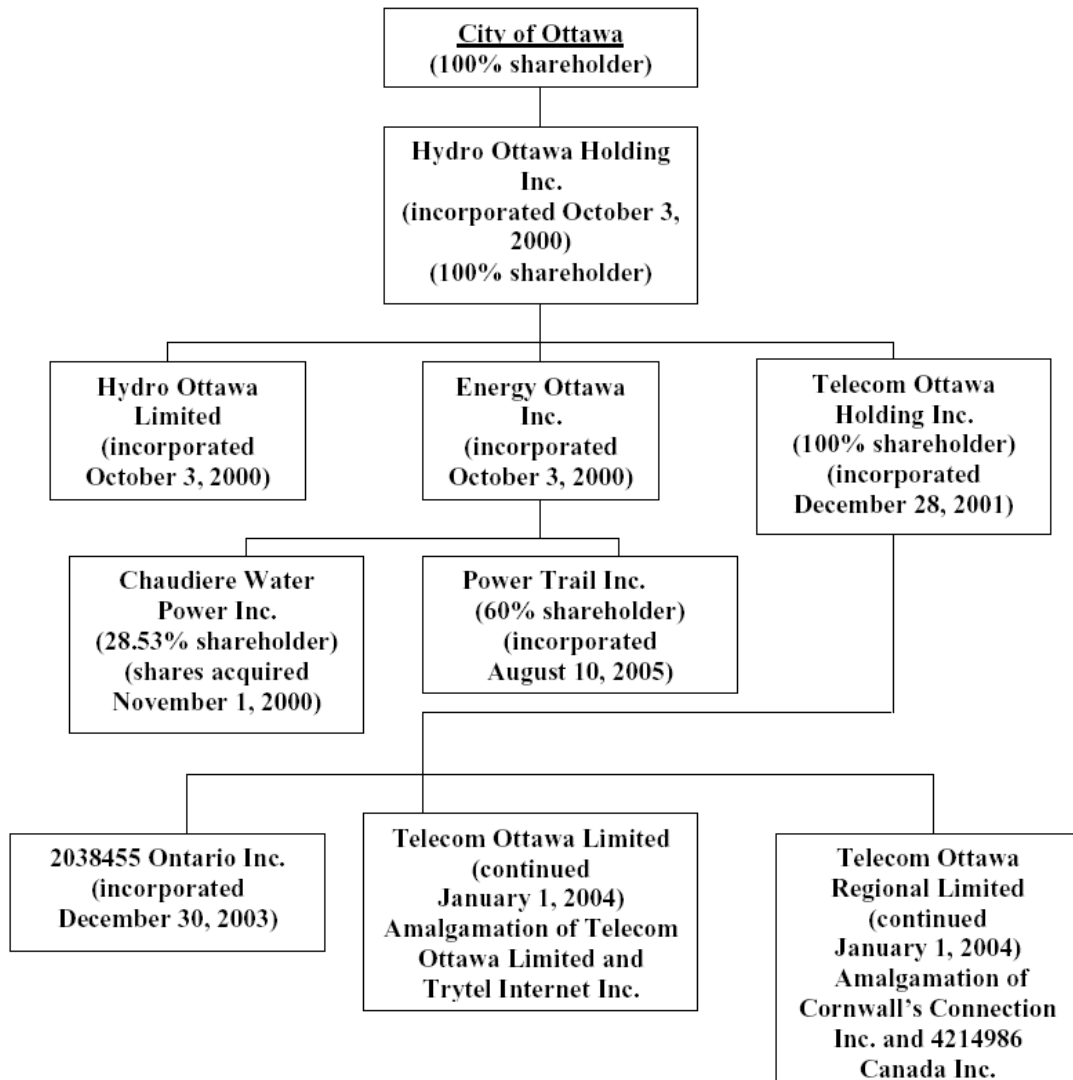
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ENTERPRISE STRUCTURE

1.0 INTRODUCTION

The following chart provides the structure for the Hydro Ottawa Group of Companies including the complete list of the affiliates of Hydro Ottawa and the dates of incorporation.

Hydro Ottawa Group of Companies





1 **2.0 ORGANIZATION FOR HYDRO OTTAWA**

2

3 The senior leadership team for Hydro Ottawa includes the following positions:

4

5 Chief Operating Officer

6 Director Distribution Asset Management

7 Director Construction and Maintenance

8 Director Finance

9 Director Information Services Technology

10 Director Metering and Energy Revenue

11 Director Customer Communications and Conservation

12

13 In 2006, the leadership team for Hydro Ottawa included a number of Vice-Presidents.

14 This layer of management was eliminated in December 2006. Strategic leadership is
15 provided by the following positions in the Holding Company. Operational activities

16 related to these functions remain within Hydro Ottawa.

17

18 Chief Executive Officer

19 Chief Financial Officer and Chief Information Officer

20 Chief Human Resources Officer

21 Chief Communications Officer

22 Chief Regulatory Affairs and Government Relations Officer

23 Chief Enterprise Risk Management Officer

24 General Counsel and Corporate Secretary



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SERVICE LEVEL AGREEMENTS

1.0 INTRODUCTION

Given the difference in relative size between Hydro Ottawa and its affiliates, there are circumstances in which Hydro Ottawa has resourcing for certain functions that the affiliates do not have as an internal resource. Therefore, Hydro Ottawa provides a limited number of corporate services to the Holding Company, Telecom Ottawa and Energy Ottawa on an as-required basis. Services are provided under the terms of service level agreements (“SLAs”) that are provided as part of this exhibit.

2.0 SERVICES PROVIDED TO AFFILIATES

For each service that Hydro Ottawa provides to an affiliate there is an SLA in place. For 2007, the SLAs are listed in Table 1.

Table 1 – Service Level Agreement

Agreement Name	Description	Affiliate Receiving Service	Attachment
HOH2007-07	HR Services	Energy Ottawa	A
EO2007-04	Metering and Meter Data Services	Energy Ottawa	B
EO2002-01	Generation Services & Continuation of Agreement	Energy Ottawa	C
EO2007-02	Facilities – Property Tax	Energy Ottawa	D
EO2007-01	IT Services	Energy Ottawa	E
TO2007-02	Facilities	Telecom Ottawa	F
TO2007-01	IT Services	Telecom Ottawa	G
TO2007-07	HR Services	Telecom Ottawa	H
HOHI2007-07	HR Services	Holding Company	I
HOHI2007-02	Facilities	Holding Company	J
HOHI2007-01	IT Services	Holding Company	K

19



1 The only change for 2008 is the end of the EO2002-01 agreement between Hydro
2 Ottawa and Energy Ottawa. This had been an arrangement analogous to a secondment
3 of an employee to provide mechanic services for the Energy Ottawa hydraulic generating
4 plants at Chaudière Falls. This arrangement is not planned to continue in 2008.

5
6 Revenues associated with the provision of these services are summarized in Exhibit C2-
7 1-5.

10 **3.0 SERVICES RECEIVED FROM AFFILIATES**

11
12 Hydro Ottawa receives very limited services from affiliates. From Telecom Ottawa the
13 only service is the lease of fibre between Hydro Ottawa's operating centres and its
14 transformer stations. Since no other carrier would have existing fibre assets directly to all
15 of these locations, no other carrier could provide these services at a reasonable cost.
16 Hydro Ottawa currently pays a "fair market fee" to Telecom Ottawa for fibre optic
17 services as determined by Telecom Ottawa's prices charged to third parties and a tariff
18 approved by the Canadian Radio-television and Telecommunications Commission
19 ("CRTC") for Bell Canada (CRTC 6716).

20
21 Hydro Ottawa is also allocated a percentage of the Holding Company's costs based on
22 an assessment of activity. Expenses related to services purchased from affiliates are
23 summarized in Exhibit D1-2-1.

26 **4.0 TRANSACTIONS WITH THE CITY OF OTTAWA**

27
28 In 2005, Hydro Ottawa ended its responsibilities for the maintenance of street lighting
29 because the City selected another service provider to provide this service. Initially street
30 lighting design work was also scheduled to end. However, the City asked Hydro Ottawa
31 to continue to support this function until July 2006. Therefore, in 2007 and beyond,



1 Hydro Ottawa has no further responsibilities for street lighting, with the exception of
2 some work in 2007 to transfer street lighting mapping records to the City.

3
4 Hydro Ottawa does procure some of its fuel for its fleet through the City's procurement
5 process because the City is able to get a volume discount.

6
7 The only other related party transactions with the City of Ottawa involve non-
8 discretionary transactions that do not require agreements including:

9

- 10 • Hydro Ottawa's payment of property taxes to the City,
11 • Hydro Ottawa's payment of water and sewer bills for all of its facilities to the City,
12 and
13 • The City's payment of electricity bills for all City facilities to Hydro Ottawa.

**Service Level Agreement
between
Hydro Ottawa Limited – Human Resources
and
Energy Ottawa Inc.
for**

***Human Resources Services*
SLA #HOH2007-07**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Human Resources Services to be provided by Hydro Ottawa Limited – Human Resources, to Energy Ottawa Inc. (EO).

Services covered under this agreement include basic services, additional services and external resources

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 will be augmented with relevant policies and processes throughout the duration of this Service Agreement. Schedule 2 includes the estimated cost of services for 2007. Schedule 3 contains a summary of management reporting requirements and Schedule 4 contains a list of key contacts for both Human Resources and EO.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

SLA:	ENERGY OTTAWA – HUMAN RESOURCES SERVICES	SLA Number:	EO2007-07
Effective Date:	January 1, 2007	Page Number:	1
Revision Date:	January 1, 2007	Superseded By:	

2.0 BUSINESS ASSUMPTIONS

Policies

Human Resources will develop Human Resource policies (Schedule 1). In the interim the following policy statements will apply:

- Human Resources Services covered under this agreement include administration of pay and benefits, including processing of incentive bonus, production of T-4s, OMERS year end, reconciliation of employee health tax, implementation of annual government-imposed rates, documentation of new employees, and regular maintenance activities.
- EO will adhere to procedures developed by Human Resources for compliance with Corporate Human Resources Policies and Procedures
- Priorities for Human Resources response will be developed by Human Resources. EO and Human Resource staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- Human Resources will charge EO for its services at market rates (if available), or full cost during the term of this agreement

Accountabilities

- EO will be accountable for providing Human Resources with estimated service requirements identified during the Annual Business Planning and Budgeting Process

Processes

Human Resources will develop Human Resources processes (Schedule 1). In the interim the following processes will apply:

- All services offered will be performed in accordance with approved company procedures (Schedule 1)
- A problem escalation process will be developed and communicated to all users

Definitions

- **Planned Expenditure** – An expenditure identified and approved through the Annual Business Planning and Budgeting Process.
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited. or Energy Ottawa Inc., which Hydro Ottawa Limited or Energy Ottawa Inc., treat as confidential and proprietary.

SLA:	ENERGY OTTAWA – HUMAN RESOURCES SERVICES	SLA Number:	EO2007-07
Effective Date:	January 1, 2007	Page Number:	2
Revision Date:	January 1, 2007	Superseded By:	

3.0 SERVICES EO WILL BE PROVIDED

Basic Services includes:

- Human Resources Services covered under this agreement include administration of pay and benefits, including processing of incentive bonus, production of T-4s, OMERS year end, reconciliation of employee health tax, implementation of annual government-imposed rates, documentation of new employees, and regular maintenance activities.

Additional Services includes:

- Additional Services such as providing advice, information and consultation, be billed at an hourly rate of \$131.25.

External Resources:

- It is recommended that each business set up its own account with the external service providers, such as EUSA, legal counsel, job evaluations, etc.

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008.

Schedule 2 details the Service Requirements and Cost estimates for the duration of this agreement.

5.0 COMPENSATION

Human Resource Services will provide EO with monthly reports outlining costs as detailed in Schedule 2, and volumes of work per service undertaken for EO. Compensation for services will be made by cheque or electronic transfer.

6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

SLA:	ENERGY OTTAWA – HUMAN RESOURCES SERVICES	SLA Number:	EO2007-07
Effective Date:	January 1, 2007	Page Number:	3
Revision Date:	January 1, 2007	Superseded By:	

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

REPORTING REQUIREMENTS

Human Resource Services will provide the following reports to EO as part of this agreement.

- A monthly report of all costs and volumes of work per services as defined in Schedule 2 of this agreement
- A quarterly report outlining the difference between actual costs as outlined in Schedule 2, and invoiced costs.
- A quarterly report detailing performance measures and related results in accordance with Section 6.0 of this agreement.

ESSENTIAL COMPETENCIES

TRAINING

Human Resources will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

PRIORITIZATION

Work will be prioritized according to established criteria – Schedule 1 (e.g. system impacts, first in first out, etc.).

COST CONTROL

Human Resources will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of EO.

RISK

Human Resources will be responsible for providing remedy in those circumstances where lower service levels within its control cause demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

SLA:	ENERGY OTTAWA – HUMAN RESOURCES SERVICES	SLA Number:	EO2007-07
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- Human Resources will be responsible for providing timely, cost-effective; professional services to EO
- Human Resources will provide assistance to EO in determining cost, history and drivers that will be used to determine the supply service requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

EO will budget for required Human Resources services on an annual basis, in consultation with the Human Resources Manager.

REPORTING REQUIREMENTS

Chief Operating Officer – EO is to provide the following to Human Resources Manager, under this SLA:

- Supply service requirements (estimated volume of tenders, purchase orders) during the Annual Business Planning and Budgeting Process

In addition, a list of up to date EO contacts will be maintained and provided to Human Resources - Schedule 4.

COMMUNICATION RESPONSIBILITIES

EO will maintain ongoing communication regarding use of Human Resources services

OVERALL RESPONSIBILITIES OF THE SERVICE USER

EO will be expected to utilize the services provided by Human Resources and be able to define needs to ensure appropriate service provision.

9.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- EO – IT Services
- EO – Facilities Management
- EO – Supply Chain

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10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute.

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (1.1), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Manager HR Services.
- 1.4 On receipt of the notice, the Manager HR Services will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Group of Companies.

The decision of the President and CEO of Hydro Ottawa Group of Companies shall be considered final and shall be adhered to by both parties.

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12.0 SIGNATURES

Hydro Ottawa Limited



Ken Lewis
Manager HR Services

Date: March 19, 2007

Energy Ottawa Inc.



~~Marc Brule~~ Shawn Sutton
C.O.O. Director, Finance

Date: March 19, 2007

SLA:	ENERGY OTTAWA - HUMAN RESOURCES SERVICES	SLA Number:	EO2007-07
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SCHEDULE 1
Human Resources SERVICE AGREEMENT
POLICIES AND PROCEDURES

Policies

Processes and Procedures

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Effective Date: January 1, 2007	Page Number: 8
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SCHEDULE 2
Human Resources SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS - 2007

<u>Business Entity</u>	<u>Projected number of employees as of January 1, 2007</u>	<u>Fee for Basic Services 2007 First Quarter</u>
Energy Ottawa Inc.	8	\$3,684
Total Estimated		\$3,684

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**SCHEDULE 3
HUMAN RESOURCES SERVICE AGREEMENT
MANAGEMENT REPORTING**

The following reports and information will be required as outlined in this SLA:

<u>REPORT NAME / DESCRIPTION</u>	<u>PREPARED BY</u>	<u>ISSUED EO</u>
Monthly		
Supply Activity Report – summary of costs and volumes of work per service undertaken for HOH in the previous month	Human Resources Manager	COO, EO
Quarterly		
Supply Performance Report – report detailing service levels, performance measures and related results as outlined in Section 6.0 of this SLA	Human Resources Manager	COO, EO
Annually (during the Business Planning and Budgeting Process)		
	COO, EO	Human Resources Manager
Immediately upon changes HOGC Contact List – Schedule 4		
Human Resources Key Contacts	Human Resources Manager	COO, EO
HOH Key Contacts	COO, EO	Human Resources Manager

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Effective Date: January 1, 2007	Page Number: 10
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**SCHEDULE 4
HUMAN RESOURCES SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Human Resources Department			
Ken Lewis Manager HR Services	P: 613-738-5499 Ext. 330 F:		kenlewis@
Heather Anderson Manager HR Programs	P: 613-738-5499 ext. 549 F:		Heatheranderson@
Richard Latulippe Supervisor Compensation & Benefits	P: 613-738-5499 Ext. 331 F:		richardlatulippe@
Energy Ottawa Inc.			
			<i>(all Energy Ottawa addresses @energyottawa.com)</i>
Marc Brûlé Chief Operating Officer	P: 613-224-0418 Ext. 7213 F: 613-225-0644	222-5232	marcbrule@

SLA: ENERGY OTTAWA – HUMAN RESOURCES SERVICES	SLA Number: EO2007-07
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**Service Level Agreement
between**

**Hydro Ottawa LTD
and
Energy Ottawa Inc.**

For

Metering and Meter Data Services



SLA: ENERGY OTTAWA – METER DATA SERVICES	SLA Number: EO2007-04
Effective Date: January 1, 2007	Page Number: 1
Revision Date:	Superseded By:

SLA #EO2007-04

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Meter Data Services to be provided by Hydro Ottawa Limited (HOL), Metering and Meter Data Services (MDS) to Energy Ottawa Inc. (EO).

Services covered under this agreement include MV90 Translation, Lodestar LPSS and Lodestar I Care, Web Portal Data Services, Data Repository Services, PeopleSoft CIS billing services and Metering Field Services

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 will be augmented with relevant policies and processes throughout the duration of this Service Agreement. Schedule 2 includes the estimated cost of services for 2007. Schedule 3 contains a summary of management reporting requirements and Schedule 4 contains a list of key contacts for both HOL and EO.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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Effective Date:	January 1, 2007	Page Number:	2
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2.0 BUSINESS ASSUMPTIONS

Policies

MDS will develop Meter Data Services policies (Schedule 1). In the interim the following policy statements will apply:

- Data integrity and data security are of utmost importance to the Corporation.
- All customer data must be managed in accordance with the policies as outlined in the Affiliate Relationships Code
- All customer information will be protected, confidential and secure
- EO and MDS staff must be fully aware of and compliant with the Affiliate Relationships Code, especially as it relates to the confidentiality of customer information
- MDS and EO staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- Priorities of response for MDS Services will be developed by MDS and will include the following criteria: mission critical; nature of problem; availability of alternative; importance to market operations
- MDS will charge EO for its services at market rates (if available), or full cost during the term of this agreement

Accountabilities

- MDS will provide assistance to EO in determining cost, history and drivers that will be used to determine the MDS requirements for the Annual Business Planning and Budgeting Process
- EO with the assistance of Meter Data, will be accountable for estimating its requirements for MDS services, during the Annual Business Planning and Budgeting Process
- MDS will be accountable for providing accurate, timely information to EO
- MDS will be accountable for ensuring accuracy, reliability, and availability of meter data technology, including software
- MDS will be accountable for implementing all software updates and fixes
- EO is accountable for ensuring phone lines are available to ensure daily output readings
- EO will be responsible for obtaining all appropriate permissions to access customer information from Hydro Ottawa Limited – Customer Service, in accordance with the Affiliate Relationships Code

SLA:	ENERGY OTTAWA – METER DATA SERVICES	SLA Number:	EO2007-04
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Process

MDS will develop Meter Data Services processes (Schedule 1). In the interim the following process statements will apply:

- All requests for MDS services covered under this agreement will be made to the Supervisor – Meter Data Services, by memo or email
- A problem escalation process will be developed and communicated to all users

Definitions

- **MV90 - MV90 (Multi-Vending Translation)** is a system used for the collection and validation of pulse interval data via remote interrogation.
- **Lodestar LPSS - Load Profiling and Settlement** software used for the wholesale reconciliation process and calculation of Retail billing Determinants.
- **Lodestar I Care Web Portal - Internet or Intranet Web Browser** access to Pulse Interval Data at the account and recorder level.
- **Pulse Interval Data** – energy pulse data that is recorded and stored in 5 or 15-minute intervals.
- **HOEP** – Hourly Ontario Energy Price
- **NSL** – Net System Load
- **WAP** – Weighted Average Price
- **Physical SSPC Schedule** –yearly schedule posted by the IMO outlining when Preliminary and Final statements will be published.
- **Third Party Access Agreement-** contractual agreement between Hydro Ottawa and Consumer for allowing "Read Only" access to their interval meters.
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Holding Inc. or Energy Ottawa Inc., which Hydro Ottawa Holding Inc. or Energy Ottawa Inc., treat as confidential and proprietary.
- **Business hours** - Monday to Friday 8:00 to 4:00 p.m. excluding statutory and civic holidays
- **Business days** - Monday to Friday excluding statutory and civic holidays

3.0 SERVICES TO BE PROVIDED

Monitoring of Metering Installations

Hydro Ottawa will assume responsibility for the Installation Maintenance of the Metering Installations as requested by Energy Ottawa and will comply with all requirements as set forth under Market Rules.

Registered Metering Installation maintenance and Conformance monitoring would include:

SLA: ENERGY OTTAWA – METER DATA SERVICES	SLA Number: EO2007-04
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- Daily remote interrogation of the RWM installations
- Maintain the VEE and MTR relationship required for the process of Meter Data
- Perform required remote diagnostic and maintenance of the RWM
- Providing replacement meters while meters are being serviced
- Retain stock inventory to comply with any EITRP
- Annual review of documentation and tracking meter seal expiry
- Dispute Resolution
- Perform other associated duties required by a MSP

Lodestar LPSS Services include:

- Provide the consolidated kWh, WAP, and demand values for the total output of the generators values to the Finance Section on a daily or monthly basis. (As per Physical Market SSPC Schedule)
- ADHOC billing reports for individual meters upon request from EO
- Provide support in Billing Disputes or adjustments
- Provide specific pulse interval data exports to EO to fulfill market research requests

Enhancements include:

- Generation Production Reports
- Settlements with the IMO for registered Generators
- Remote Interrogation of additional Generators
- Billing calculations for Third Party sales of Generation

Metering Field Services

Hydro Ottawa MSP will assume responsibility for the conformance monitoring and on-site maintenance of all existing and new metering installations as requested by Energy Ottawa. Metering Standards will comply with all requirements as set forth under the IESO Market Rules or Hydro Ottawa Conditions of Service

On-site maintenance of all existing and new registered metering installations will include:

- Performing required on-site diagnostic and maintenance of the RWM for an issued MTR from Meter Data Services;
- Performing required trouble shooting and testing;
- Performing other associated duties required by a MSP.

This will be charged on an hourly basis as per Schedule 2

ENERGY SERVICES

Web based Meter Data Services includes:

- Provide Retail customer usage data to identified Energy Service and Generation Service staff through web portal system.

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- Provide Retail customer usage data to identified Energy Service subscribers of the Web Portal, for Retail interval metered customers. This will include current HOEP values.
- Maintaining user access agreements and assign passwords to the Web Portal.
- Provide Support for external and internal users of the Web Portal.
- Provide Billing Services through the PeopleSoft CIS for subscribers of the Web Portal. This includes invoicing, collections and cash receipt processing.

Meter Data Repository Services include:

- Maintain a data repository of all interval data information for a period of seven (7) years in both the MV90 and Lodestar LPSS databases

4.0 PRICING PRINCIPLES

For the period 2007, costs have been estimated, based on current financial information and historical usage patterns.

Costs for Meter Data Services, including Web Portal Services will be charged on a per usage basis, as per Schedule 2.

Schedule 2 details the Service Requirements and Pricing estimates for the duration of this agreement.

5.0 COMPENSATION

MDS will provide EO with monthly reports outlining costs as detailed in Schedule 2, and volumes of work per service undertaken for EO. Compensation for services will be made by cheque or electronic transfer.

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6.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
<i>Response Time / Resolution Time</i>	
MDS will provide access to the Web Portal for new customers within 5 business days of receipt of written request	95% of the time
MDS will provide meter information to interval metered customers within 1 business day of usage	95% of the time
MDS will provide generation output information to EO within 1 business day of Physical SSPC Schedule, based on availability of phone lines	99% of the time
<i>Quality Indicators</i>	
MDS will be available Monday to Friday 8:00 a.m. to 5:00 p.m., excluding statutory and civic holidays	90% of the time
Web Portal Availability...The Network will be accessible 24 hours a days, 7 days a week, with the exclusion of planned maintenance	95% of the time
MDS will contain all necessary data	95% accurate
MDS will contain the correct determinants	98% accurate

7.0 CONFIDENTIALITY

In accordance with the Affiliate Relationships Code,

- EO shall not release to Meter Data, confidential information relating to a consumer, retailer or generator without the consent of that consumer, retailer or generator.
- EO shall not disclose confidential information to MDS without the consent in writing of the consumer, retailer or generator, as the case may be, except where confidential information is required to be disclosed:
 - For billing or market operation purposes;
 - For law enforcement purposes;
 - For the purpose of complying with a legal requirement; or
 - For the processing of past due accounts of the consumer which have been passed to a debt collection agency.
- Confidential information may be disclosed where the information has been sufficiently aggregated such that any individual consumer, retailer, or generator's information cannot reasonably be identified. If such information is aggregated it must be disclosed on a non-discriminatory basis to any party requesting the information.

SLA: ENERGY OTTAWA – METER DATA SERVICES	SLA Number: EO2007-04
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8.0 RESPONSIBILITIES OF SERVICE PROVIDER

REPORTING REQUIREMENTS

In addition to data and reporting requirements outlined in Section 3.0 of this agreement, Supervisor – MDS will provide the following reports to EO under this SLA:

- Monthly report of all costs and volumes of work per services as defined in Schedule 2 of this agreement (MDS Activity Report)
- A quarterly report outlining the difference between actual costs as outlined in Schedule 2, and invoiced costs. This report will be developed by monitoring actual employee time spent per customer / activity and cost of materials. Results will be compared to totals invoiced (MDS Variance Report)
- A quarterly report detailing performance measures and related results, in accordance with Section 6.0 of this agreement (MDS Performance Report)

In addition, a list of up to date contacts will be maintained and provided to EO - Schedule 4.

ESSENTIAL COMPETENCIES

MDS will have the expertise required to support the hardware and software for which it is responsible under this SLA, including project management, management reporting and communications skills, or will acquire these skills as necessary.

TRAINING

MDS will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

PRIORITIZATION

Work will be prioritized according to established criteria - Schedule 1 (e.g. availability of alternative sources for information, inability to access the web portal, phone lines inaccessible).

COST CONTROL

MDS will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

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RISK

MDS will be responsible for providing remedy in those circumstances where lower service levels within its control cause EO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process defined in this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- MDS will be responsible for providing timely, cost-effective, professional services to EO
- MDS will provide assistance to EO in determining cost, history and drivers that will be used to determine the MDS requirements for the Annual Business Planning and Budgeting Process

9.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

EO will budget for required MDS services on an annual basis in consultation with the Supervisor – Meter Data Services.

REPORTING REQUIREMENTS

In addition to data and reporting requirements outlined in Section 2.0 of this agreement, Director, Energy Products and Services will provide the following to Supervisor – Meter Data Services, under this SLA:

- MDS requirements for the period of this agreement during the Annual Business Planning and Budgeting Process
- A list of up to date contacts will be maintained and provided to Supervisor – Meter Data Services – Schedule 4.

COMMUNICATIONS RESPONSIBILITIES

EO will maintain ongoing communication regarding use of MDS services.

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- EO will be expected to request only those services it requires

SLA:	ENERGY OTTAWA – METER DATA SERVICES	SLA Number:	EO2007-04
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- During the Annual Business Planning and Budgeting Process, EO in conjunction with Meter Data, should define ongoing business needs to ensure appropriate service provision

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute by the following process:

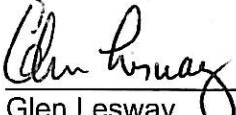
- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Vice President of Operations
- 1.4 On receipt of the notice, the Vice President of Customer Care will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Holding.

The decision of the President and CEO of Hydro Ottawa Holding shall be considered final and shall be adhered to by both parties.

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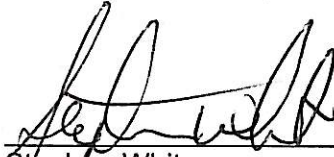
12.0 SIGNATURES

Hydro Ottawa Limited.



Glen Lesway
Supervisor – Meter Data Services

Date: 2007/07/26



Stephen White
Manager, Metering Initiatives

Date: 2007/07/26

Energy Ottawa Inc.



Greg Clarke
Chief Operating Officer

Date: _____

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SCHEDULE 1 METER DATA SERVICE AGREEMENT POLICIES AND PROCEDURES

Policies

Customer Information - confidentiality and security

Procedures and Processes

Providing Web Based Meter Data access to customers
Requesting web based MDS services (web portal additions and changes)
Escalation process
Prioritization process

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**SCHEDULE 2
METER DATA SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS – 2007**

METER DATA SERVICES	
TOTAL ESTIMATED METER DATA SERVICES COST for 2007	\$ 60,000

GENERATION SERVICES- PRICING MODEL

Service	Units	Rate	Month	Year
* <i>Monthly Installation Maintenance (Fee per Meter Installations)</i>	4	\$150	\$600	\$7200.00
** <i>WebPortal Charges</i>	7	\$50.00	\$350.00	\$4,200.00
<i>Hourly Adhoc Reporting</i>		\$102.60		
<i>On-site Maintenance (As required) Regular hours including travel expenses</i>		\$102.60		
Total			\$950.00	\$11,400.00

*** Monthly Installation Maintenance**

- Chaudiere GS4
- Chaudiere GS2
- Chaudiere GS2-G4
- Trail Road

**** WebPortal Charges**

- 5 units include GS2, GS4, Virtual Accounts, Toronto Weather and Daily Spreadsheet Calculations
- January 2007 – 2 Units include one WebPortal and Daily Spreadsheet Calculations for Trail RD

NOTE: HOURLY RATES ARE SUBJECT TO CHANGE PENDING HOL BURDEN CALCULATION

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ENERGY SERVICES –PRICING MODEL**Energy Management WebPortal**

Stats January 01 2007	Cost per Unit	Totals
Web Portal Setup	\$150.00	
Reporting by hour	\$102.60	
Account	\$40.00	112
Web Portal Shadow Reports	\$10.00	7

Note:

- a) The one time set-up fee includes set- up of PeopleSoft CIS and the Customer WebPortal
- b) The monthly fee includes the cost of \$0.35 per account for Billing, Collections and Payment Processing

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**SCHEDULE 3
 METER DATA SERVICE AGREEMENT
 MANAGEMENT REPORTING**

In addition to data and reporting requirements outlined in Section 2.0 and Section 3.0 of this agreement, the following reports and information will be required.

<u>REPORT NAME / DESCRIPTION</u>	<u>PREPARED BY</u>	<u>ISSUED TO</u>
Monthly		
MDS Activity Report – summary of costs and volumes of work per service undertaken for EO in the previous month	Sup. Meter Data	Director of Generation, EO
Quarterly		
MDS Performance Report – report detailing service levels, performance measures and related results as outlined in Section 6.0 of this SLA	Sup. Meter Data	Director of Generation, EO
Annually (during the Business Planning and Budgeting Process)		
MDS Requirements – estimated EO meter data service requirements for the business planning period including web portal activities and MDS requirements	Director of Generation, EO	Sup. Meter Data
Immediately upon changes to Contact List – Schedule 4		
MDS Key Contacts	Sup. Meter Data	Director of Generation, EO
EO Key Contacts	Director of Generation, EO	Sup. Meter Data

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SCHEDULE 4
METER DATA SERVICE AGREEMENT
KEY CONTACTS

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u>
Hydro Ottawa Holding Inc. Customer Care - Meter Data Services			
			<i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Roger Marsh Director Customer Service	P 738-5499 x 342	282-1578	rogermarsh@
Steve White Manager Billing	P 738-5499 x 548	816-8000	stevewhite@
Glen Lesway Supervisor, MDS	P: 738-5499 x 141 F: 738-5485	552-3953	glenlesway@
Andy Wilson Supervisor, Metering	P: 738-5499 x 146 F: 738-5485	229-3584	andywilson@
Energy Ottawa Inc.			
			<i>(all Energy Ottawa addresses @energyottawa.com)</i>
Greg Clarke Chief Operating Officer	P: 225-0418 x 7214 F: 225-0644	794-4409	gregclarke@
Geoff Sayre Director, Generation	P: 225-0418 x 2210 F: 225-0644	720-6275	geoffsayre@
Glenn Mooney Energy Services	P: 225-0418 x 7212 F: 225-0644	794-4409	glennmooney@

SLA:	ENERGY OTTAWA – METER DATA SERVICES	SLA Number:	EO2007-04
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Energy Ottawa Inc/Hydro Ottawa Limited
Service Level Agreement
Generation Services –SLA #EO2002-01
Operations Services

This service level agreement outlines generation activity conducted by the Operations Division of Hydro Ottawa Limited, on behalf of Energy Ottawa Inc. Activities are detailed below in two key areas: Electrical, Mechanical and Civil Services and System Operations Services. Terms and conditions pertaining to this Service Level Agreement are detailed in General Service Agreement for the Provision of Generation Services dated April 24, 2002.

Est. SLA Value for 2005 - \$188,000 plus emergency repairs

Period: January 1 to December 31, 2005
Client: Energy Ottawa
Provider: Hydro Ottawa –Operations

Energy Ottawa Representative: Geoff Sayre
Service Provider: Norm Fraser

Assumptions and Agreed Undertakings

- **Energy Ottawa Supervision of Hydro Ottawa Limited Fitter-Mechanic**
 - Energy Ottawa will comply with all provisions of the *Occupational Health and Safety Act* and regulations applicable to the Work undertaken by Hydro Ottawa Limited Fitter-Mechanic, and shall take all necessary steps to protect him from any harm or danger associated with the Work.
 - Energy Ottawa shall assume their responsibilities as an "employer" on site and shall ensure that the Hydro Ottawa Limited Fitter-Mechanic understands his respective responsibilities and rights as defined by *the Occupational Health and Safety Act* and its Regulations.
 - Energy Ottawa shall ensure that its Supervisor is present at the place of Work and performing supervisory functions at all times as appropriate to the Work. Should the supervisor be required to leave the site for a short period of time, the Contractor shall appoint a "competent person" in the supervisor's place until the supervisor is able to return to the site.
 - Energy Ottawa shall ensure that its supervisor is a "competent person" within the meaning of the Ontario *Occupational Health and Safety Act*.
- Ownership of assets is at primary cable potheads
- All System Control services and mechanical, electrical and civil services for 2005 will be billed monthly based on total annual SLA value.
- Expenditures not to exceed SLA estimate without prior approval
- Work will be conducted in accordance with all legal and regulatory requirements, including
- WSIB, OHSA, OEB, IMO, etc

Energy Ottawa Inc/Hydro Ottawa Limited
Service Level Agreement
Generation Services –SLA #EO2002-01
Operations Services

ELECTRICAL, MECHANICAL AND CIVIL SERVICES

Scope of Work

Hydro Ottawa will supply a Fitter-Mechanic to Energy Ottawa on a full-time basis for the period of this agreement. The activities associated with this position are to provide planned maintenance and emergency repair services for Chaudiere G.S. Units 2 and 4. The following activities will be performed under this agreement:

Planned Maintenance:

- Maintenance of current asset information
- Annual inspection of turbines and runners
- Annual testing for baseline and insurance purposes
- Maintenance of civil and mechanical structures (i.e. concrete inspection, painting, etc)
- Governor inspection
- Annual crane inspection
- Monthly site inspection (to meet OEB requirements)
- Daily walkabout inspection as per defined checklist
- Battery inspection (every six months)
- Maintenance of electrical plant
- Maintenance of reservoirs, dams and waterways
- Maintenance of waterwheels, turbines, generators
- Civil rehabilitation
- Station rehabilitation
- Support for station automation project
- Station automation maintenance (governors, control system)
- Maintenance of underground civil structures associated with underground electrical i.e. manholes, ducts
- Stationary crane maintenance and certification
- Switchgear maintenance
- Materials management of all equipment associated with planned maintenance activities
- Crane rentals associated with mechanical maintenance, channel dewatering etc.

ESTIMATED COSTS (for the period January 1 – December 31, 2005)

- Straight time labour for Fitter Mechanic is estimated at **\$108,000**
- Overtime labour for Fitter Mechanic is estimated at **\$36,000**

WORK LOCATIONS:

- The primary work location for staff executing civil, mechanical and electrical services under this SLA is 156 Middle Street, Victoria Island

Energy Ottawa Inc/Hydro Ottawa Limited
Service Level Agreement
Generation Services –SLA #EO2002-01
Operations Services

ESSENTIAL COMPETENCIES – CIVIL MECHANICAL AND ELECTRICAL SERVICES

- Electrical and mechanical stations experience
- Maintenance of generating stations
- Contract management
- Project management

COMPENSATION

Position Title	Estimated Hours	Straight Time Billing Rate (\$Cdn/hour)
Fitter Mechanic	1800	\$60
Fitter Mechanic-Overtime	300	\$120

Energy Ottawa Inc/Hydro Ottawa Limited
Service Level Agreement
Generation Services –SLA #EO2002-01
Operations Services

SYSTEM CONTROL SERVICES

Key Deliverables

- System operations and emergency response activities to maintain full capacity MW output of Chaudiere Units 2 and 4
- Utilize remote security monitoring to ensure Energy Ottawa's assets at Terminal Chaudiere are safeguarded
- Monitor environmental issues such as Fire, Oil spills as a first response capacity.

Scope of Work

Activities associated with providing operating services for Terminal Chaudiere Generating Units 2 and 4. The following activities will be performed 24 / 7:

System Operations

- Remote monitoring of operational telemetry and physical security
- Maintain SCADA interface through periodic testing and maintenance
- Trash Rack operational maintenance in emergency conditions only

Emergency Response

- Create and maintain emergency contingency procedures
- Provide first response to all emergency and / or abnormal mechanical and / or electrical conditions

ESTIMATED COSTS (for the period January 1 – December 31, 2005)

\$44,000 for:

- System Monitoring
- Remote Security Monitoring

SCADA work to be billed on time and material at \$95/hr over and above the \$44,000 and will be pre-approved by Manager of Generation, Energy Ottawa.

WORK LOCATIONS:

- The primary work location will be in the System Control Center (currently located at 3025 Albion Rd, Ottawa, Ontario) for staff executing work under this Service Level Agreement

ACCOUNTABILITIES

The primary accountability for the execution of this work lies with the Manager, System Operations

ESSENTIAL COMPETENCIES

In order to execute in this SLA, the following competencies are required:

- System Operations
- Security Management


Energy Ottawa Inc/Hydro Ottawa Limited
Service Level Agreement
Generation Services –SLA #EO2002-01
Operations Services

- Environmental Management

Process for Initiating System Control Services

- Operation activities expectations, under this Service Level agreement are continuous except for periodically scheduled activities, which are initiated by Hydro Ottawa's Senior System Control Staff member on duty under targets required by Energy Ottawa.
- Hydro Ottawa has the authority to respond to emergency situations and react, within Energy Ottawa's Decision Support Criteria

Approved:




Geoff Sayre
Manager of Generation
Energy Ottawa Inc

Date:

May 2/05

Approved:



Norm Fraser
Vice President –Operations
Hydro Ottawa Limited

Date:

May 31/05

**Service Level Agreement
between
Hydro Ottawa Limited, Shared Services - Facilities
and
Energy Ottawa Inc.
for**

***Facilities Management Services*
SLA #EO2007-02**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines Facilities Management Services to be provided by Hydro Ottawa Limited, Shared Services – Facilities (Facilities) to Energy Ottawa Inc. (EO).

Services covered under this agreement include Property Taxes.

The purpose of this agreement is to document and confirm commitment to services to be provided and responsibilities of service user and service provider.

Schedule 1 includes the estimated cost of services for 2007. Schedule 2 contains a list of key contacts for both Facilities and EO.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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Effective Date:	January 1, 2007	Page Number:	1
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2.0 BUSINESS ASSUMPTIONS

Policies

- Facilities will charge EO for its services at market rates (if available), or full cost during the term of this agreement.

Accountabilities

- Facilities will provide EO with an outline of the cost elements required for the Annual Business Planning and Budgeting Process.

3.0 SERVICES TO BE PROVIDED

Property Administration Services includes:

- Advisory services with respect to location, taxes, and market value of real estate options.

4.0 COMPENSATION

Facilities will provide EO with monthly reports outlining costs as outlined in Schedule 2, and volumes of work per service undertaken for EO. Compensation for services will be made by cheque or electronic transfer.

5.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

SLA:	ENERGY OTTAWA – FACILITIES MANAGEMENT	SLA Number:	EO2007-02
Effective Date:	January 1, 2007	Page Number:	2
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6.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute by the following process:

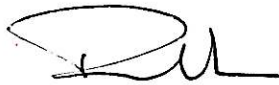
- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Vice-President of Shared Services
- 1.4 On receipt of the notice, the Vice-President of Shared Services will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Group of Companies.

The decision of the President and CEO of Hydro Ottawa Group of Companies shall be considered final and shall be adhered to by both parties.

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Effective Date:	January 1, 2007	Page Number:	3
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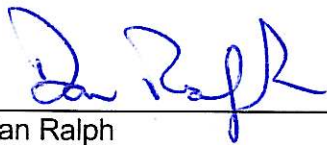
7.0 SIGNATURES

Hydro Ottawa Limited.



Peter Leonard
Manager, Supply Chain and
Facilities

Date: March 19/07



Dan Ralph
Vice President
Shared Services

Date: March 19/07

Energy Ottawa Inc.



~~Marc Brule~~ Shawn Sutton
~~C.O.O.~~ Director, Finance

Date: March 19/07

SLA:	ENERGY OTTAWA - FACILITIES MANAGEMENT	SLA Number:	EO2007-02
Effective Date:	January 1, 2007	Page Number:	4
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SCHEDULE 1
EFFECTIVE JAN 1, 2007
FACILITIES MANAGEMENT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS - 2007

<u>SERVICE</u>	<u>ESTIMATED QUANTITY</u>	<u>UNIT COST</u>	<u>TOTAL ESTIMATED COST</u>
1. Services			
<i>Chaudiere</i>			
• Property Tax		\$ 17,000	\$ 17,000
2. Workspace Provisioning			
• Macs with furniture	N/A	N/A	\$ 0
• Macs without furniture	N/A	N/A	\$ 0
3. Furniture Rental	N/A	N/A	\$ 0
4. Special Projects	N/A	N/A	\$ 0
5. Emergency Preparedness Services	N/A	N/A	\$ 0
TOTAL FACILITIES COST			\$17,000

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**SCHEDULE 2
FACILITIES MANAGEMENT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u>
Shared Services – Facilities Department			
			<i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Facilities Help Desk	613-738-5499 Ext. 7438	n/a	FacilitiesHelpDesk@
Steve Clouthier Manager, Facilities	613-738-5499 Ext. 268 F: 613- 738-5475	613-266-1569	steveclouthier@
Joey St. Jacques Supervisor, Facilities	613-738-5499 Ext. 161 F: 613-738-5475	613-229-3585	joeystjacques@
Energy Ottawa Inc.			
1145 Hunt Club Road, Suite 220, Ottawa, Ontario K1V 0Y3			<i>(all Energy Ottawa addresses @energyottawa.com)</i>
Marc Brûlé Chief Executive Officer	P: 613-225-0418 Ext. 7213 F: 613-225-0644	613-222-5232	marcbrule@
Shawn Sutton Director, Finance	P: 613-225-0418 Ext. 7223 F: 613-225-0644	613-867-7175	shawnsutton@

SLA:	ENERGY OTTAWA – FACILITIES MANAGEMENT	SLA Number:	EO2007-02
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**Service Level Agreement
between
Hydro Ottawa Limited, Shared Services – IT
and
Energy Ottawa Inc.
for**

**Information Technology Services
SLA #EO2007-01**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Information Technology Services to be provided by Hydro Ottawa Limited, Shared Services – Information Services & Technology (IT) to Energy Ottawa Inc. (EO).

Services covered under this agreement include Technical Support and Applications Support Services.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 will be augmented with relevant policies and processes throughout the duration of this Service Agreement. Schedule 2 includes the estimated cost of services for 2007. Schedule 3 contains a list of key contacts for both IT and EO. Schedule 4 provides a description of Severity classifications to classify requests for IT services as well as associated resolution targets.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

Hydro Ottawa Limited, Shared Services, in conjunction with IT, will develop Information Technology policies (Schedule 1). In the interim the following policy statements will apply:

- Data integrity and data security are of utmost importance to the Corporation.
- All use of hardware or software on the Hydro Ottawa Limited system, introduced by EO, must be authorized by IT as compliant and compatible with other corporate applications
- IT will manage all outsourcing with respect to services identified in this SLA
- All EO staff must keep their files on the network as per the policy and process for Network Storage and Management (Schedule 1)
- Priorities of response for IT will be developed by IT and will include the following criteria: mission critical; nature of problem; availability of alternative; importance to local operations
- IT and EO staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- EO will adhere to appropriate policies and guidelines in the same context as a Hydro Ottawa employee.
- IT will charge EO for its services at market rates (if available), or full cost, during the term of this agreement

Accountabilities

For the services as documented in Schedule 2:

- IT will set hardware and software standards for voice, data, wireless equipment to be interconnected to the voice/data network, or supported by IT
- IT will provide the IT infrastructure systems and services required for the business continuance needs of EO
- IT will provide assistance to EO in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process
- EO with the assistance of IT, will be accountable for estimating its requirements for IT services during the Annual Business Planning and Budgeting Process
- IT will be responsible for preparing an Annual IT Plan
- IT will be accountable for providing timely, cost effective IT solutions on both planned and emergency basis

SLA: ENERGY OTTAWA – IT SERVICES	SLA Number: EO2007-01
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Process

Hydro Ottawa Limited, in conjunction with IT will develop Information Technology processes (Schedule 1). In the interim the following process statements will apply:

- Requests for IT services covered under this agreement will be made to the Help Desk, by phone (ext. 263) or email (ITHelpDesk@hydroottawa.com) during business hours
- New hires which will be coordinated through the Employee arrival and exit processes (Schedule 1)
- All requests will be tracked and logged using a problem ticket system
- Help Desk will provide first level of response to Help Desk Requests
- A problem escalation process will be developed and communicated to all users
- EO will obtain IT approval prior to making new connections to Hydro Ottawa Limited's voice/data network

Definitions

- **GroupWare** – includes MS Outlook – e-mail and calendar
- **Desktop applications** - include MS Office – Word, Excel, PowerPoint, and Access
- **Business hours** - Monday to Friday 8:00 to 4:00 p.m. excluding statutory and civic holidays
- **Business days** - Monday to Friday excluding statutory and civic holidays
- **Mean Time to Repair (MTTR)** - The average measured unavailable time to restore a network service or device (voice or data) after it is deemed to be unavailable. The MTTR is calculated by taking a monthly average of the measured unavailable time taken to repair all "Work Orders", with the same severity level [based on the agreed upon criteria]. The total measured unavailable time is totaled at the end of each month and divided by the number of times a network service or device (voice or data) is deemed unavailable in that month
- **Mission critical** – Any service or device whose failure will have a significant monetary impact on the user's business
- **Help Desk Request** – A request for support related to Hydro Ottawa approved hardware and/or software, to fix a defect in existing application code or existing service, or a request for support that involves no modifications to an application or existing service. Requests will be identified within 3 categories as follows:
 - **Level 1 Support** – response to basic questions, such as forgotten password, email addresses, login issues
 - **Level 2 Support** – resolution of minor problems, such as walk through instructions for correcting error messages, use of Outlook Calendar
 - **Level 3 Support** – on-site resolution of a hardware or software problem
- **Technical Service Request** – A request for support that is excluded from definition of a Help Desk Request
- **Server applications** – Software applications which reside on the network utilizing a network processor or equipment to support one or more client devices or workstations

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- **Database applications** – Software applications using a database, which typically serves multiple users and resides on one or more network servers
- **Data Network Infrastructure** – All hardware associated with the network topology including local area networks (LAN), wide area networks (WAN), and interfacing to outside networks (i.e. Internet)
- **Data Back-ups** – The removal and off-site storage of data used in the restoration of deleted files, archival of data for business and accounting needs and/or regulations, and for disaster recovery
- **Business continuance** – Ongoing day to day operation of the business
- **Network Security** – Maintenance and prevention activities associated with reliable operation of the network. (Managing the threat of hackers and virus is only one facet of this)
- **Damage** – subjecting an IT asset to careless use, causing excess wear and tear or specific damage
- **Data security** – Managing who has access and what type of access (read, write, delete) to data. (See also Data Back-ups)
- **Enterprise Data Management** – ensuring availability and security of all Corporate data
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Energy Ottawa Inc., which Hydro Ottawa Limited or Energy Ottawa Inc., treat as confidential and proprietary.

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3.0 IT SERVICES TO BE PROVIDED

Technical Support includes:

- Help desk support (Level 1 and Level 2)
- Help Desk Level 3 Support
 - hardware and software support requiring on-site servicing by technicians
- Coordination of customer initiated moves and changes to existing IT related equipment
- IT asset repairs due to damage caused by the customer
- Systems and applications research and advice
- General IT advisory services

Business Applications Support Services includes:

- Implementation and support of corporate-wide applications
- Software / hardware upgrades
- Software / hardware patches and fixes
- Licensees
- Maintenance contracts
- Coordination of training for new corporate software applications

IT Services excludes:

- Telecommunications and software support on any application or equipment not specified and approved by Hydro Ottawa Limited. However, IT will provide "best effort" support for non-standard EO software applications
- Training on enterprise wide software, which is the responsibility of the user.
- In-depth training on computer, telecommunications and wireless features and capabilities. IT will provide "basic" operating instructions. However, specific, detailed training is the responsibility of the equipment users.
- Development of enhancements to the functionality of software provided.

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008.

Pricing for IT services is as follows:

- 1. Technical Support will be provided on a fee for service basis (charged per hour on a request basis).***
- 2. Business Applications Support Services - A fee will be allocated, determined by estimates of annual requirements, for support of corporate software applications (i.e. CIS, JDEdwards, Oracle).***

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Note: An end of the year adjustment will take place, based on a review of the total operating costs to provide the services noted in the contract, compared with the agreed upon fee structure, if greater or less than \$500.00

Schedule 2 details the Service Requirements and Pricing estimates for the duration of this agreement.

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5.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
<i>Resolution Time</i>	
IT will implement solutions based on Severity classification. (Schedule 4)	95% of the time
<i>Quality Indicators</i>	
Help Desk will be available Monday to Friday 8:00 a.m. to 4:00 p.m., excluding statutory and civic holidays	98% of the time
IT will be available to provide planned after hours support, upon 2 business days advance request from EO	95% of the time
Network Reliability – The Network will be accessible 24 hours a day, 7 days a week, with the exclusion of planned maintenance	98% of the time

6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

A list of up to date contacts will be maintained and provided to EO - Schedule 3.

ESSENTIAL COMPETENCIES

IT will have the expertise required to support the hardware and software for which it is responsible under this SLA, including project management, management reporting and communications skills, or will acquire these skills as necessary.

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TRAINING

IT will be accountable for ensuring that its staff has the necessary skills, knowledge and training to execute the work as outlined in the SLA and to ensure that its staff are trained in aspects of the Affiliate Relationships Code (Section 2.6) pertaining to "Confidentiality of Information".

PRIORITIZATION

Work will be prioritized according to availability of business impact and alternative sources of service.

COST CONTROL

IT will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

IT will be responsible for providing remedy in those circumstances where lower service levels within its control cause EO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- IT will be responsible for providing timely, cost-effective, professional services to EO
- IT will provide assistance to EO in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

EO will budget for required IT services on an annual basis in consultation with the Supervisor – Network and Client Services. EO will provide IT with two (2) weeks notice of additions, changes or removal of equipment. IT will provide respond to each notice with a date when the request can be met within 21 business hours of receiving the notice.

REPORTING REQUIREMENTS

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Chief Operating Officer – EO will provide the following reports to Supervisor – Network and Client Services, under this SLA:

- IT requirements for the period of this agreement during the Annual Business Planning and Budgeting Process
- Quarterly updates, highlighting any variances to the Annual IT Plan (e.g. 1 more employee, 1 more cell phone)

In addition, a list of up to date contacts will be maintained and provided to Supervisor – Network and Client Services – Schedule 3.

COMMUNICATIONS RESPONSIBILITIES

EO will maintain ongoing communication regarding use of IT services and variances from the Annual IT Plan.

ACCESS TO EQUIPMENT

EO will provide IT staff with access to IT equipment as required to fulfill operational obligations.

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- EO will be expected to request only those services it requires
- During the Annual Business Planning and Budgeting Process, EO, in conjunction with IT, should define ongoing business needs to ensure appropriate service provision. IT will assist EO by estimating emergency requirements based on historical data

9.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- EO – Facilities Management
- EO – Human Resources

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavor in good faith to settle the dispute by the following process:

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- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the VP Shared Services
- 1.4 On receipt of the notice, the VP Shared Services will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Group of Companies.

The decision of the President and CEO of Hydro Ottawa Group of Companies shall be considered final and shall be adhered to by both parties.

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11.0 SIGNATURES

Hydro Ottawa Limited.



David Reeves
Director Information Technology

Date: 2007-03-19


Dan Ralph
VP Shared Services

Date: March 15/07

Energy Ottawa Inc.


~~Marc Brule~~ Shawn Sutton
~~C.O.O.~~ Director, Finance

Date: March 19/07

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SCHEDULE 1 IT SERVICE AGREEMENT POLICIES AND PROCEDURES

Hydro Ottawa Ltd.'s policies are published on its Intranet site. The following is a list of policies published as of December 31, 2006. At least once annually, the policies are reviewed and update. Additional policies will be published to meet operational needs as required.

Policy

- IT-000 – Electronic Information Security Policy
- IT-001 - Internet and Email Policy
- IT-002 - Password Policy
- IT-003 - System Account Management
- IT-004 - Technical Standards
- IT-005 - Guidelines for Cell Phone and PDA Assignment
- IT-006 – Data Network Connection Management
- IT-007 - Computer Asset Management
- IT-008 - Guidelines Computer Assignment
- IT-009 - Anti-Virus Software
- IT-010 - Patch Management
- IT-011 - Firewall Management
- IT-012 - Log Retention and Review
- IT-013 – Modem and FAX Security
- IT-014 – Workstation Software Licensing

Procedures

IT procedures, practices and related information are published on the IS&T website. A link to this website, labeled "IS&T", is accessible from the Employee Corner section of the Intranet site.

A partial list follows:

- Data storage and backups
- Employee arrival and exit processes
- Change Management
- Manuals and Quick Guides
- Purchasing and Desktop Asset Management
- Service Model

Upon request, copies of policies, procedures or other related information will be made available to those requiring assistance accessing this information.

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**SCHEDULE 2
IT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND PRICING – 2007**

	Estimated Quantity	Unit Cost	Estimated Total Cost
Technical Support	100 hours	\$70/hour	\$ 7,000
Applications Support Services	8 JDE Users	\$2,500/yr /JDE User	\$20,000
TOTAL IT COST			\$27,000

Notes:

- 1) **Technical Support** - includes technical on site solutions, advisory services and requested research; and IT asset repairs due to damage caused by the customer. Dollars shown are an estimate only, using an average labour rate of \$70.00. Actual costs will be charged out per hour, as incurred.

- 2) **Business Applications Support** - includes the charges for licenses, maintenance, external technical support, coordination of training on new corporate software and internal technical support for JD Edwards; allocated on estimated use basis.

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**SCHEDULE 3
IT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Information Technology Department			
David Reeves Director	P: 613-738-5499 Ext. 329	613-282-2474	davidreeves@
IT Helpdesk	P: 613-738-5499 Ext. 263 F: 613-738-5485	n/a	ITHelpDesk@
Rory Dowler Supervisor – Network and Client Services	P: 613-738-5499 Ext. 265 F: 613-738-5485	613-282-0798	rorydowler@
Linda Rodier Supervisor – Business Applications and Support	P: 613-738-5499 Ext. 382 F: 613-738-5485	613-282-0952	lindarodier@
Frank Lahaie Business Services Analyst	P: 613-738-5499 ext. 7629 F: 613-738-5485	613-277-8996	franklahaie@
Energy Ottawa Inc.			
			<i>(all Energy Ottawa addresses @energyottawa.com)</i>
Marc Brûlé Chief Operating Officer	P: 613-225-0418 Ext. 7213 F: 613-225-0644	613-222-5232	marcbrule@
Shawn Sutton Director, Finance	P: 613-225-0418 Ext. 7223 F: 613-225-0644	613-867-7175	shawnsutton@

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SCHEDULE 4

SEVERITY CLASSIFICATION

The following is extracted from IS&T document IT-I-005, *Prioritization Criteria* which is accessible through the IS&T website.

Basic description

A Severity code indicates the seriousness of an Incident expressed by its effect on normal business activity. Classifying which Incidents need to be resolved is dependent upon the:

1. impact on the business
2. urgency to the business
3. size, scope and complexity of the Incident
4. users ability for coping in the meantime and for correcting the fault (workarounds)

Specific Severity descriptions

Severity 1. The problem causes complete loss of service. Work cannot reasonably continue, the operation is mission critical to the business and the situation is an emergency.

Severity 2. The problem causes a severe loss of service. No acceptable workaround is available; however, operation can continue in a restricted fashion.

Severity 3. The problem causes minor loss of service. The impact is an inconvenience, which may require a workaround to restore functionality.

Severity 4. The problem causes no loss of service. The result is a minor error, incorrect behavior, documentation error that does not impede the operation of a system, request to clarify the function of a service or the request for a new service.

Service interruptions will generally receive a Severity classification of 1, 2 or 3 and requests for new services would be classified as Severity 4.

Resolution targets

Classification	General Name	Resolution target
Severity 1	Critical	1 Business Day
Severity 2	High	3 Business Days
Severity 3	Medium	7 Business Days
Severity 4	On-going	On-going (Delivery date determined with end user)

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**Service Level Agreement
between
Hydro Ottawa Limited, Shared Services - Facilities
and
Telecom Ottawa Limited
for**

***Facilities Management Services*
SLA #TO2007-02**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines Facilities Management Services to be provided by Hydro Ottawa Limited, Shared Services – Facilities (Facilities) to Telecom Ottawa Limited (TO).

Services covered under this agreement include Operations and Office Services, Special Projects (if required) Emergency Preparedness, and Operation Costs for Utilities.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 includes the estimated cost of services for 2007. Schedule 2 contains a list of key contacts for both Facilities and TO.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

The following policy statements will apply:

- Facilities will manage the procurement, maintenance, and disposal of facility related Minor Fixed Assets
- TO will adhere to procedures developed by Facilities for compliance with regulatory and insurance requirements when communicated by Facilities.
- Priorities of response will be developed by Facilities and will include the following criteria: health and safety, security systems, building structural safety
- Emergency evacuation drills will be held annually & performed by TO.
- TO and Facilities staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- Facilities will charge TO for its services at market rates (if available), or full cost during the term of this agreement
- The five-year lease agreement for the building at 100 Maple Grove Road would be voided if Telecom Ottawa were to be sold to a third party. At that time a new agreement would have to be established.
- Telecom Ottawa has an option to lease the remainder of the building.

Accountabilities

- Facilities will provide TO with an outline of the cost elements required for the Annual Business Planning and Budgeting Process with respect to operating costs.
- TO will be accountable for providing Facilities with all facility requirements identified during the Annual Business Planning and Budgeting Process with respect to space requirements.
- Facilities will be responsible for developing an Annual Facilities Plan
- Services for grass cutting and snow plowing will be provided at standards set by Facilities.
- TO will be responsible for garbage removal.
- TO will be accountable for contractor management during capital construction projects, including access to the sites, and contractor certification and training.
- Facilities will be responsible for the HVAC (Roof Top Unit) yearly maintenance contract.
- Facilities will be responsible for maintenance/testing of the sprinkler system and office fire extinguishers.
- Facilities will ensure compliance with all regulatory and insurance requirements, on behalf of the asset owner, with the exception of POP sites. TO will ensure compliance with all regulatory and insurance requirements at POP sites.
- Facilities Management will be accountable for providing compliance guidelines and for maintaining records that demonstrate compliance with all necessary permits and

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regulations for all Hydro Ottawa Group of Companies and Hydro Ottawa Limited assets

- TO will be accountable for providing the development, implementation, and administration of the Emergency Preparedness Program.

Process

Facilities will develop Facilities Management processes and procedures. In the interim, the following processes will apply:

- All Operations and Office Services Requests made during business hours, for facilities services covered under this agreement, will be made to the Help Desk, by phone (ext. 7438) or email (FacilitiesHelpDesk@hydroottawa.com) during business hours
- For Facilities emergencies after hours, TO will contact personnel as outlined in Schedule 2
- All other Facilities requests will be initiated by memo (or email) to individuals as noted below and authorized/signed by a Manager of TO.
 - Special Projects – to Facilities Manager
 - Non-Standard Service Requests – to Facilities Manager
- All Operations and Office Service Requests will be logged and tracked
- TO will provide facilities with space requirements during the Annual Business Planning and Budgeting Process
- A problem escalation process will be developed and communicated to all users
- TO will ensure all permits are obtained

Definitions

- **Damage** – subjecting a Facilities asset to careless use, causing excess wear and tear or specific damage
- **Unplanned work** - work that has not been included in the approved Business Plan
- **Operations and Office Services Request** – a request for services related to the building and facilities including Heating, Ventilation, and Air Conditioning (HVAC), office equipment and emergency facilities repairs
- **Point of Presence (POP)** – is an access point to the Telecom Ottawa Network, including routers and servers
- **Business Days** - Monday to Friday excluding statutory and civic holidays
- **Business Hours** - Monday to Friday 8:00 a.m. to 5:00 p.m., excluding statutory and civic holidays
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Telecom Ottawa Inc., which Hydro Ottawa Limited or Telecom Ottawa Inc., treat as confidential and proprietary.
- **Miscellaneous Provisioning** – Provisioning of POPs, patch panels, and pedestals
- **Gross cost** - Cost per square foot of occupancy, including property taxes, utilities and reasonable common space area for the duration of this agreement (Office furniture is not included in the cost per square foot)

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3.0 SERVICES TO BE PROVIDED

Operations and Office Services includes:

- **Space and services at Maple Grove Road and additional site spaces Point of Presence (POPs) including:**
 - Provision of heating, ventilation, air conditioning, snow removal, grass cutting, and building maintenance services
 - Scheduled building inspection and maintenance
 - Response to Facilities related emergency calls

Operations and Office Services excludes:

- Staffing of a centralized reception desk

Special Facilities Projects includes:

- Project management, including:
 - Project Scope and estimating
 - Project Management
 - Engineering/Design
 - Needs analysis / recommendation
 - Costing
 - Project details and timelines
 - Construction Management
- Facilities asset repairs due to damage caused by the customer
- Contractor supervision for minor facilities requests of behalf of TO (e.g. during the installation of customized branding materials)

Emergency Preparedness Services includes:

TO is accountable & responsible for maintaining their own Emergency Preparedness Services.

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008. There will be three levels of pricing for Facilities services as follows:

1. Operations and Offices Services - A cost per square foot depending on type of premise (warehouse, office, station) and location, and will include:

- Provision of heating, ventilation, air conditioning
- Snow removal, grass cutting

2. Special Projects - Service will be provided on a fee for service basis (charged per hour on a request basis, plus equipment) for:

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- Facilities consulting services

3. Operation Costs for Utilities:

- Telecom Ottawa Ltd will be responsible for 100% of the utilities including heat, water and hydro.

Schedule 1 details Service Requirements and Pricing estimates for the duration of this agreement.

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5.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
<i>Timeliness</i>	
For minor moves (move or change to existing work stations) of fewer than 4 workspaces: <ul style="list-style-type: none"> • Within 10 business days, workplaces will be moved or reconfigured, using existing furniture and equipment 	90% of the time
For new additions of fewer than 4 workspaces: <ul style="list-style-type: none"> • Within 12 weeks, to allow for vendor lead times and construction, including permits and inspections, workplaces will be fully provisioned for each new addition 	90% of the time
For major moves (more than 4 workspaces), Facilities will work with TO to develop a schedule and budget to which it will comply. Results will be measured by a customer satisfaction survey.	Cust. Sat. Measure TBD
Facilities will provide temporary work stations, upon 5 business days advance notice from TO	95% of the time
Operations and Office Service Requests will be acknowledged within 30 minutes, during business hours	95% of the time
Operations and Office Service Requests will be completed within specified timelines as follows: <ul style="list-style-type: none"> • Critical matters (e.g. toilet overflowing; roof leaking,) – immediate action • Minor repairs (e.g. fluorescent lights burned out, defective doors, workstation repairs, plumbing repairs, minor temperature adjustments) – action taken within 2 business days • Major repairs (e.g. broken window, leaking roof, HVAC failure, overhead door repair, building security issues, flooding, building power failure, life safety system response) – action taken within 4 business hours 	95% of the time
Workspace Provisioning Requests will be acknowledged within 1 business day from receipt of authorized, written request	95% of the time
<i>Cost</i>	
Budget met, including any pre-approved variance	95% of the time
Specifications met, including any pre-approved variance	99% of the time
<i>Completeness</i>	
Building will be maintained to highest standards of safety, cleanliness and comfort. Results will be measured by a customer satisfaction survey.	Cust. Sat. Measure TBD
<i>Quality Indicators</i>	
EP Program development will be appropriate for TO, measured by customer transaction survey	Cust. Sat.
TO will be satisfied with the quality of the EP training, as measured by customer transaction survey	Cust. Sat.
EP records will be maintained efficiently and effectively (audit)	100% of the time
Timely notification by Emergency Preparedness for actions required of TO	Cust. Sat.

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7.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

8.0 RESPONSIBILITIES OF SERVICE PROVIDER

ESSENTIAL COMPETENCIES

Facilities will have the expertise required to support the activities for which it is responsible under this SLA, or will acquire these skills as necessary, including facilities management, project management, knowledge of Market Rules requirements and Emergency Preparedness expertise, management reporting and communications skills.

TRAINING

Facilities will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

PRIORITIZATION

Work will be prioritized according to established criteria (e.g. life safety systems, security systems, building structural issues).

COST CONTROL

Facilities will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

Facilities will be responsible for providing remedy in those circumstances where lower service levels within its control cause TO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process defined in this SLA.

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OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- Facilities will be responsible for providing timely, cost-effective, professional services to TO
- Facilities will provide assistance to TO in determining cost, history and drivers that will be used to determine the facilities requirements for the Annual Business Planning and Budgeting Process, including providing actual results for operating expenses for the previous year.

9.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

TO will budget for required facilities management services on an annual basis, in consultation with Facilities.

REPORTING REQUIREMENTS

Chief Executive Officer or his designate - TO will provide the following reports to Facilities, under this SLA:

- Facilities requirements for the period of this agreement during the Annual Business Planning and Budgeting Process
- Quarterly updates, highlighting any material changes to the Annual Facilities Plan

In addition, a list of up to date TO contacts will be maintained and provided to Facilities - Schedule 2.

COMMUNICATIONS RESPONSIBILITIES

- TO will maintain ongoing communication regarding use of facilities services and variances from the Annual Facilities Plan
- TO will notify Facilities of staff changes as soon as approval/decision has been granted

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- TO will be expected to request only those services it requires and be able to define needs to ensure appropriate service provision
- During the Annual Business Planning and Budgeting Process, TO in conjunction with Facilities, should define ongoing business needs to ensure appropriate service provision

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10.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- TO - IT Services
- TO - Supply Chain Management
- TO - HR Services

11.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute by the following process:

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Director Facilities
- 1.4 On receipt of the notice, the Director Facilities will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Group of Companies.

The decision of the President and CEO of Hydro Ottawa Group of Companies shall be considered final and shall be adhered to by both parties.

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12.0 SIGNATURES

Hydro Ottawa Limited.



Peter Leonard
Manager Facilities

Date:

Sept 13/07



Doug Shannon
Director Finance

Date:

Sept 13/07

Telecom Ottawa Limited



Tom Moss
President & Chief Operating Officer

Date:

September 13/2007

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SCHEDULE 1
EFFECTIVE JAN 1, 2007
FACILITIES MANAGEMENT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS - 2007

<u>SERVICE</u>	<u>ESTIMATED QUANTITY</u>	<u>UNIT COST</u>	<u>TOTAL ESTIMATED COST</u>
1. Operations and Office Services			
<i>Maple Grove</i>			
☐ Office	11,500 sq.ft.	\$6/sq.ft.	\$ 69,000
Hubs			<i>Min: \$250/month</i>
Albion	400 sq.ft.	\$12/sq.ft.	\$ 4,800
Overbrook	161 sq.ft.	\$12/sq.ft.	\$ 1,932
Billings	306 sq.ft.	\$12/sq.ft.	\$ 3,672
Florence			\$ 3,000
Kanata	100 sq.ft.	\$12/sq.ft.	\$ 1,200
Merivale			\$ 3,000
Woodroffe			\$ 3,000
2. Special Projects	100 hours	\$50/hour	\$ 5,000
3. Operation Costs for Utilities	100% of Utilities	100% of \$70,000/year-estimated	\$ 70,000
TOTAL FACILITIES COST			\$ 164,604

Schedule 1 Notes (see next page)

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Schedule 1 Notes
Telecom Ottawa Facilities Management Service Agreement

1. **Operations and Office Services** – includes provision of heating, ventilation, air conditioning, snow shoveling, grass cutting, building maintenance services, building and office security, and property administration services charged on a square foot basis, depending on type of premise: warehouse, office, station, Hub and location.
2. **Special Projects includes** – facilities consulting services
3. **Operation Costs for Utilities** – includes heat, water, hydro. If actual operating costs for the year are lower by 10% or more of the estimated amount, actual operating costs will be charged.

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**SCHEDULE 2
FACILITIES MANAGEMENT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u>
Facilities Department			
			<i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Facilities Help Desk	613-738-5499 Ext. 7438	N/A	FacilitiesHelpDesk @hydroottawa.com
Doug Shannon Director, Finance	613-738-5499 x 234	613-282-4057	dougshannon@
Peter Leonard Manager, Facilities	613-738-5499 x 206 F: 613-738-6420	613-913-5061	peterleonard@
Joey St.Jacques Supervisor, Facilities	613-738-5499 Ext. 161 F: 613- 738-5475	613-229-3585	joeystjacques@
Telecom Ottawa Limited			
			<i>(all TO addresses @telecomottawa.com)</i>
Tom Moss President & Chief Operating Officer	613-225-4631 Ext. 7117 F: 613-225-0636		tommoss@
Vivian Karaiskos Director, Finance	613-225-4631 Ext. 7216		viviankaraiskos@

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**Service Level Agreement
between
Hydro Ottawa Limited, Shared Services – IT
and
Telecom Ottawa Inc.
for**

***Information Technology Services*
SLA #TO2007-01**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Information Technology Services to be provided by Hydro Ottawa Limited, – Information Services & Technology (IT) to Telecom Ottawa Inc. (TO).

Services covered under this agreement include VPN Services for JDE application, Technical Support, and Applications Support Services.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 includes the estimated cost of services for 2007. Schedule 2 contains a list of key contacts for both IT and TO. Schedule 3 provides a description of Severity classifications to classify requests for IT services as well as associated resolution targets.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

The following policy statements will apply:

- Data integrity and data security are of utmost importance to the Corporation.
- All use of hardware or software on the Hydro Ottawa Limited system, introduced by TO, must be authorized by IT as compliant and compatible with other corporate applications
- IT will manage all outsourcing with respect to services identified in this SLA
- Priorities of response for IT will be developed by IT and will include the following criteria: mission critical; nature of problem; availability of alternative; importance to local operations
- IT and TO staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- IT will charge TO for its services at market rates (if available), or full cost, during the term of this agreement

Accountabilities

For the services as documented in Schedule 21:

- IT will set standards for services supported under this SLA
- IT will provide assistance to TO in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process
- IT will be accountable for providing timely, cost effective IT solutions on both planned and emergency basis

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Process

The following process statements will apply:

- Requests for IT services covered under this agreement will be made to the Help Desk, by phone (ext. 263) or email (ITHelpDesk@hydroottawa.com) during business hours
- For IT emergencies after hours, TO will contact personnel as outlined in the After Hours IT Assistance process (to be provided)
- TO will inform IT of any required changes to services resulting from changes in TO employee's employment status.
- All requests will be tracked and logged using a problem ticket system
- Help Desk will provide first level of response to Help Desk Requests
- TO will obtain IT approval prior to making new connections to Hydro Ottawa Limited's voice/data network

Definitions

- **Business hours** - Monday to Friday 8:00 to 4:00 p.m. excluding statutory and civic holidays
- **After hours** – all hours outside Business hours, including statutory and civic holidays
- **Business days** - Monday to Friday excluding statutory and civic holidays
- **Mean Time to Repair (MTTR)** - The average measured unavailable time to restore a network service or device (voice or data) after it is deemed to be unavailable. The MTTR is calculated by taking a monthly average of the measured unavailable time taken to repair all "Work Orders", with the same severity level [based on the agreed upon criteria]. The total measured unavailable time is totaled at the end of each month and divided by the number of times a network service or device (voice or data) is deemed unavailable in that month
- **Mission critical** – Any service or device whose failure will have a significant monetary impact on the user's business
- **Help Desk Request** – A request for support related to Hydro Ottawa approved hardware and/or software, to fix a defect in existing application code or existing service, or a request for support that involves no modifications to an application or existing service. Requests will be identified within 3 categories as follows:
 - **Level 1 Support** – response to basic questions, such as forgotten password, email addresses, login issues
 - **Level 2 Support** – resolution of minor problems, such as walk through instructions for correcting error messages, use of Outlook Calendar
 - **Level 3 Support** – on-site resolution of a hardware or software problem
- **Technical Service Request** – A request for support that is excluded from definition of a Help Desk Request
- **Server applications** – Software applications which reside on the network utilizing a network processor or equipment to support one or more client devices or workstations

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- **Database applications** – Software applications using a database, which typically serves multiple users and resides on one or more network servers
- **Data Network Infrastructure** – All hardware associated with the network topology including local area networks (LAN), wide area networks (WAN), and interfacing to outside networks (i.e. Internet)
- **Data Back-ups** – The removal and off-site storage of data used in the restoration of deleted files, archival of data for business and accounting needs and/or regulations, and for disaster recovery
- **Business continuance** – Ongoing day to day operation of the business
- **Network Security** – Maintenance and prevention activities associated with reliable operation of the network. (Managing the threat of hackers and virus is only one facet of this)
- **Data security** – Managing who has access and what type of access (read, write, delete) to data. (See also Data Back-ups)
- **Enterprise Data Management** – ensuring availability and security of all Corporate data
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Telecom Ottawa Inc., which Hydro Ottawa Limited or Telecom Ottawa Inc., treat as confidential and proprietary

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3.0 IT SERVICES TO BE PROVIDED

Virtual Private Network (VPN) Service for JD Edwards (JDE) application:

Ongoing operation and maintenance of the router/firewall and the maintenance support cost corresponding to usage of this device for access JDE as hosted by Hydro Ottawa.

Technical Support includes:

- Help desk support (Level 1 and Level 2)
- Help Desk Level 3 Support
 - hardware and software support requiring on-site servicing by technicians
- Coordination of customer initiated moves and changes to existing IT related equipment
- IT asset repairs due to damage caused by the customer
- Systems and applications research and advice
- General IT advisory services

Business Applications Support Services includes:

- Implementation and support of corporate-wide applications
- Software / hardware upgrades
- Software / hardware patches and fixes
- Licensees
- Maintenance contracts
- Coordination of training for new corporate software applications

IT Services excludes:

- Telecommunications and software support on any application or equipment not specified and approved by Hydro Ottawa Limited. However, IT will provide "best effort" support for non-standard TO software applications
- Training on enterprise wide software, which is the responsibility of the user
- Development of enhancements to the functionality of software provided

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008.

Pricing for IT services is as follows:

1. ***VPN Services for JDE Application – Annual IT connection fee will be set for existing link based on current functionality.***

2. ***Technical Support will be provided on a fee for service basis (charged per hour on a request basis).***

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3. ***Business Applications Support Services - A fee will be allocated, determined by estimates of annual requirements, for support of corporate software applications (i.e. CIS, JD Edwards, Oracle).***
4. ***Financial System Reporting Support Services – Annual fee for services rendered by Dave Power and Jan VandenTillaart.***

Note: An end of the year adjustment will take place, based on a review of the total operating costs to provide the services noted in the contract, compared with the agreed upon fee structure, if greater or less than \$500.00, All costs must be supported by invoices and detailed calculations.

Schedule 1 details the Service Requirements and Pricing estimates for the duration of this agreement.

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5.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
<i>Resolution Time</i>	
IT will implement solutions based on Severity classification. (Schedule 3)	95% of the time
<i>Quality Indicators</i>	
Help Desk will be available Monday to Friday 8:00 a.m. to 4:00 p.m., excluding statutory and civic holidays	98% of the time
IT will be available to provide planned after hours support, upon 2 business days advance request from TO	95% of the time
Network Reliability – The Network will be accessible 24 hours a day, 7 days a week, with the exclusion of planned maintenance	98% of the time

6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

A list of up to date contacts will be maintained and provided to TO - Schedule 32.

ESSENTIAL COMPETENCIES

IT will have the expertise required to support the hardware and software for which it is responsible under this SLA, including project management, management reporting and communications skills, or will acquire these skills as necessary.

TRAINING

IT will be accountable for ensuring that its staff has the necessary skills, knowledge and training to execute the work as outlined in the SLA and to ensure that its staff are trained in aspects of the Affiliate Relationships Code (Section 2.6) pertaining to "Confidentiality of Information".

PRIORITIZATION

Work will be prioritized according to availability of business impact and alternative sources of service.

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COST CONTROL

IT will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

IT will be responsible for providing remedy in those circumstances where lower service levels within its control cause TO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in paragraph 10.0 of this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- IT will be responsible for providing timely, cost-effective, professional services to TO
- IT will provide assistance to TO in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

IT will respond to each notice with a date when the request can be met within 21 business hours of receiving the notice.

REPORTING REQUIREMENTS

Upon request, Chief Operating Officer – TO will provide the following reports to Supervisor – Network and Client Services, under this SLA:

- IT requirements for the period of this agreement during the Annual Business Planning and Budgeting Process

In addition, a list of up to date contacts will be maintained and provided to Supervisor – Network and Client Services – Schedule 2.

COMMUNICATIONS RESPONSIBILITIES

TO will maintain ongoing communication regarding use of IT services and variances from the Annual IT Plan.

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ACCESS TO EQUIPMENT

TO will provide IT staff with access to IT equipment as required to fulfill operational obligations.

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- TO will be expected to request only those services it requires

9.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- TO – Facilities Management
- TO – Supply Chain Management
- TO – Human Resources

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavor in good faith to settle the dispute by the following process:

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Chief Operating Officer, Hydro Ottawa Limited.
- 1.4 On receipt of the notice, the Chief Operating Officer, Hydro Ottawa Limited will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Holding Inc.

The decision of the President and CEO of Hydro Ottawa Holding Inc shall be considered final and shall be adhered to by both parties.

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11.0 SIGNATURES

Hydro Ottawa Limited.



David Reeves
Director Information Services & Technology

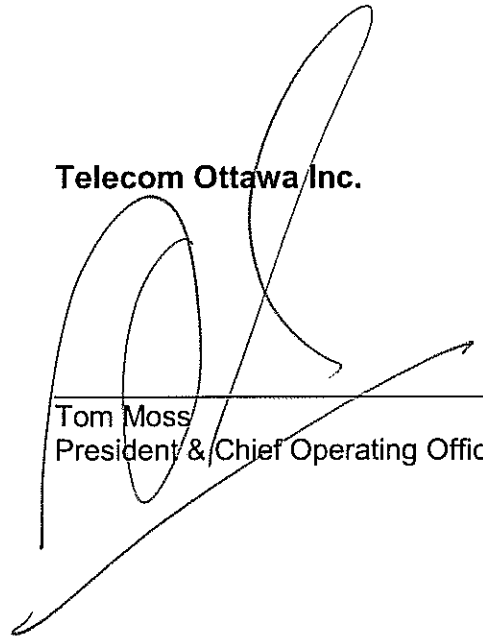
Date: 2007-08-09



Norm Fraser
Chief Operating Officer

Date: Aug 10, 2007

Telecom Ottawa Inc.



Tom Moss
President & Chief Operating Officer

Date: August 2/2007

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SCHEDULE 1
IT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND PRICING – 2007

	Estimated Quantity	Unit Cost	Estimated Total Cost
VPN services for JDE application	12 months	\$100/month	\$ 1,200
Technical Support	100 hours	\$70/hour	\$ 7,000
Business Applications Support Services	Estimated 31 JDE User	\$2,500/yr /JDE User	\$77,500
Financial System Reporting support services		\$37,500/yr	\$37,500
TOTAL IT COST			\$123,200

Notes:

- 1) **VPN Services for JDE application** – includes support of the router/firewall and the maintenance support cost corresponding to usage of this device.
- 2) **Technical Support** - includes technical on site solutions, advisory services and requested research; and IT asset repairs due to damage caused by the customer. Dollars shown are an estimate only, using an average labour rate of \$70.00. Actual costs will be charged out per hour, as incurred.
- 3) **Business Applications Support** - includes the charges for licenses, maintenance, external technical support, coordination of training on new corporate software and internal technical support for JD Edwards; allocated on estimated use basis. Number of JDE (JD Edwards) users to be calculated on actual JDE accounts on last business day of each month.
- 4) **Financial System Reporting support services** – includes support for management of the financial systems aspects of JD Edwards including setup of new processes and procedures as well as improvements to current processes and procedures. Further support includes troubleshooting of data errors such as AP/AR error batches, integrity errors and fixed asset problems.

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**SCHEDULE 2
IT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Information Technology Department			
David Reeves Director	P: 613-738-5499 Ext. 329	613-282-2474	davidreeves@
IT Helpdesk	P: 613-738-5499 Ext. 263 F: 613-738-5485	n/a	ITHelpDesk@
Rory Dowler Supervisor – Network and Client Services	P: 613-738-5499 ext. 265 F: 613-738-5485	613-282-0798	rorydowler@
Linda Rodier Supervisor – Business Applications and Support	P: 738-5499 Ext. 382 F: 613-738-5485	613-282-0952	lindarodier@
Frank Lahaie Business Services Analyst	P: 613-738-5499 ext. 7629 F: 613-738-5485	613-277-8996	franklahaie@
Telecom Ottawa Inc.			
			<i>(all Telecom Ottawa addresses @telecomottawa.com)</i>
Tom Moss Chief Operating Officer	P: 613-225-4631 Ext. 7117 F: 613-225-0636	613-447-3484	tommos@
Vivian Karaiskos Director Finance	P: 613-225-4631 Ext. 7216	613-850-2754	viviankaraiskos@

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SCHEDULE 3 SEVERITY CLASSIFICATION

The following is extracted from IS&T document IT-I-005, *Prioritization Criteria* which is accessible through the IS&T website.

Basic description

A Severity code indicates the seriousness of an Incident expressed by its effect on normal business activity. Classifying which Incidents need to be resolved is dependent upon the:

1. impact on the business
2. urgency to the business
3. size, scope and complexity of the Incident
4. users ability for coping in the meantime and for correcting the fault (workarounds)

Specific Severity descriptions

Severity 1. The problem causes complete loss of service. Work cannot reasonably continue, the operation is mission critical to the business and the situation is an emergency.

Severity 2. The problem causes a severe loss of service. No acceptable workaround is available; however, operation can continue in a restricted fashion.

Severity 3. The problem causes minor loss of service. The impact is an inconvenience, which may require a workaround to restore functionality.

Severity 4. The problem causes no loss of service. The result is a minor error, incorrect behavior, documentation error that does not impede the operation of a system, request to clarify the function of a service or the request for a new service.

Service interruptions will generally receive a Severity classification of 1, 2 or 3 and requests for new services would be classified as Severity 4.

Resolution targets

Classification	General Name	Resolution target
Severity 1	Critical	1 Business Day
Severity 2	High	3 Business Days
Severity 3	Medium	7 Business Days
Severity 4	On-going	On-going (Target defined with user)

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**Service Level Agreement
between
Hydro Ottawa Limited, Shared Services - Facilities
and
Telecom Ottawa Limited
for**

***Facilities Management Services*
SLA #TO2007-02**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines Facilities Management Services to be provided by Hydro Ottawa Limited, Shared Services – Facilities (Facilities) to Telecom Ottawa Limited (TO).

Services covered under this agreement include Operations and Office Services, Special Projects (if required) Emergency Preparedness, and Operation Costs for Utilities.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 includes the estimated cost of services for 2007. Schedule 2 contains a list of key contacts for both Facilities and TO.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

The following policy statements will apply:

- Facilities will manage the procurement, maintenance, and disposal of facility related Minor Fixed Assets
- TO will adhere to procedures developed by Facilities for compliance with regulatory and insurance requirements when communicated by Facilities.
- Priorities of response will be developed by Facilities and will include the following criteria: health and safety, security systems, building structural safety
- Emergency evacuation drills will be held annually & performed by TO.
- TO and Facilities staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- Facilities will charge TO for its services at market rates (if available), or full cost during the term of this agreement
- The five-year lease agreement for the building at 100 Maple Grove Road would be voided if Telecom Ottawa were to be sold to a third party. At that time a new agreement would have to be established.
- Telecom Ottawa has an option to lease the remainder of the building.

Accountabilities

- Facilities will provide TO with an outline of the cost elements required for the Annual Business Planning and Budgeting Process with respect to operating costs.
- TO will be accountable for providing Facilities with all facility requirements identified during the Annual Business Planning and Budgeting Process with respect to space requirements.
- Facilities will be responsible for developing an Annual Facilities Plan
- Services for grass cutting and snow plowing will be provided at standards set by Facilities.
- TO will be responsible for garbage removal.
- TO will be accountable for contractor management during capital construction projects, including access to the sites, and contractor certification and training.
- Facilities will be responsible for the HVAC (Roof Top Unit) yearly maintenance contract.
- Facilities will be responsible for maintenance/testing of the sprinkler system and office fire extinguishers.
- Facilities will ensure compliance with all regulatory and insurance requirements, on behalf of the asset owner, with the exception of POP sites. TO will ensure compliance with all regulatory and insurance requirements at POP sites.
- Facilities Management will be accountable for providing compliance guidelines and for maintaining records that demonstrate compliance with all necessary permits and

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regulations for all Hydro Ottawa Group of Companies and Hydro Ottawa Limited assets

- TO will be accountable for providing the development, implementation, and administration of the Emergency Preparedness Program.

Process

Facilities will develop Facilities Management processes and procedures. In the interim, the following processes will apply:

- All Operations and Office Services Requests made during business hours, for facilities services covered under this agreement, will be made to the Help Desk, by phone (ext. 7438) or email (FacilitiesHelpDesk@hydroottawa.com) during business hours
- For Facilities emergencies after hours, TO will contact personnel as outlined in Schedule 2
- All other Facilities requests will be initiated by memo (or email) to individuals as noted below and authorized/signed by a Manager of TO.
 - Special Projects – to Facilities Manager
 - Non-Standard Service Requests – to Facilities Manager
- All Operations and Office Service Requests will be logged and tracked
- TO will provide facilities with space requirements during the Annual Business Planning and Budgeting Process
- A problem escalation process will be developed and communicated to all users
- TO will ensure all permits are obtained

Definitions

- **Damage** – subjecting a Facilities asset to careless use, causing excess wear and tear or specific damage
- **Unplanned work** - work that has not been included in the approved Business Plan
- **Operations and Office Services Request** – a request for services related to the building and facilities including Heating, Ventilation, and Air Conditioning (HVAC), office equipment and emergency facilities repairs
- **Point of Presence (POP)** – is an access point to the Telecom Ottawa Network, including routers and servers
- **Business Days** - Monday to Friday excluding statutory and civic holidays
- **Business Hours** - Monday to Friday 8:00 a.m. to 5:00 p.m., excluding statutory and civic holidays
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Telecom Ottawa Inc., which Hydro Ottawa Limited or Telecom Ottawa Inc., treat as confidential and proprietary.
- **Miscellaneous Provisioning** – Provisioning of POPs, patch panels, and pedestals
- **Gross cost** - Cost per square foot of occupancy, including property taxes, utilities and reasonable common space area for the duration of this agreement (Office furniture is not included in the cost per square foot)

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3.0 SERVICES TO BE PROVIDED

Operations and Office Services includes:

- **Space and services at Maple Grove Road and additional site spaces Point of Presence (POPs) including:**
 - Provision of heating, ventilation, air conditioning, snow removal, grass cutting, and building maintenance services
 - Scheduled building inspection and maintenance
 - Response to Facilities related emergency calls

Operations and Office Services excludes:

- Staffing of a centralized reception desk

Special Facilities Projects includes:

- Project management, including:
 - Project Scope and estimating
 - Project Management
 - Engineering/Design
 - Needs analysis / recommendation
 - Costing
 - Project details and timelines
 - Construction Management
- Facilities asset repairs due to damage caused by the customer
- Contractor supervision for minor facilities requests of behalf of TO (e.g. during the installation of customized branding materials)

Emergency Preparedness Services includes:

TO is accountable & responsible for maintaining their own Emergency Preparedness Services.

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008. There will be three levels of pricing for Facilities services as follows:

1. Operations and Offices Services - A cost per square foot depending on type of premise (warehouse, office, station) and location, and will include:

- Provision of heating, ventilation, air conditioning
- Snow removal, grass cutting

2. Special Projects - Service will be provided on a fee for service basis (charged per hour on a request basis, plus equipment) for:

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- Facilities consulting services

3. Operation Costs for Utilities:

- Telecom Ottawa Ltd will be responsible for 100% of the utilities including heat, water and hydro.

Schedule 1 details Service Requirements and Pricing estimates for the duration of this agreement.

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5.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
<i>Timeliness</i>	
For minor moves (move or change to existing work stations) of fewer than 4 workspaces: <ul style="list-style-type: none"> • Within 10 business days, workplaces will be moved or reconfigured, using existing furniture and equipment 	90% of the time
For new additions of fewer than 4 workspaces: <ul style="list-style-type: none"> • Within 12 weeks, to allow for vendor lead times and construction, including permits and inspections, workplaces will be fully provisioned for each new addition 	90% of the time
For major moves (more than 4 workspaces), Facilities will work with TO to develop a schedule and budget to which it will comply. Results will be measured by a customer satisfaction survey.	Cust. Sat. Measure TBD
Facilities will provide temporary work stations, upon 5 business days advance notice from TO	95% of the time
Operations and Office Service Requests will be acknowledged within 30 minutes, during business hours	95% of the time
Operations and Office Service Requests will be completed within specified timelines as follows: <ul style="list-style-type: none"> • Critical matters (e.g. toilet overflowing; roof leaking,) – immediate action • Minor repairs (e.g. fluorescent lights burned out, defective doors, workstation repairs, plumbing repairs, minor temperature adjustments) – action taken within 2 business days • Major repairs (e.g. broken window, leaking roof, HVAC failure, overhead door repair, building security issues, flooding, building power failure, life safety system response) – action taken within 4 business hours 	95% of the time
Workspace Provisioning Requests will be acknowledged within 1 business day from receipt of authorized, written request	95% of the time
<i>Cost</i>	
Budget met, including any pre-approved variance	95% of the time
Specifications met, including any pre-approved variance	99% of the time
<i>Completeness</i>	
Building will be maintained to highest standards of safety, cleanliness and comfort. Results will be measured by a customer satisfaction survey.	Cust. Sat. Measure TBD
<i>Quality Indicators</i>	
EP Program development will be appropriate for TO, measured by customer transaction survey	Cust. Sat.
TO will be satisfied with the quality of the EP training, as measured by customer transaction survey	Cust. Sat.
EP records will be maintained efficiently and effectively (audit)	100% of the time
Timely notification by Emergency Preparedness for actions required of TO	Cust. Sat.

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7.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

8.0 RESPONSIBILITIES OF SERVICE PROVIDER

ESSENTIAL COMPETENCIES

Facilities will have the expertise required to support the activities for which it is responsible under this SLA, or will acquire these skills as necessary, including facilities management, project management, knowledge of Market Rules requirements and Emergency Preparedness expertise, management reporting and communications skills.

TRAINING

Facilities will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

PRIORITIZATION

Work will be prioritized according to established criteria (e.g. life safety systems, security systems, building structural issues).

COST CONTROL

Facilities will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

Facilities will be responsible for providing remedy in those circumstances where lower service levels within its control cause TO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process defined in this SLA.

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OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- Facilities will be responsible for providing timely, cost-effective, professional services to TO
- Facilities will provide assistance to TO in determining cost, history and drivers that will be used to determine the facilities requirements for the Annual Business Planning and Budgeting Process, including providing actual results for operating expenses for the previous year.

9.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

TO will budget for required facilities management services on an annual basis, in consultation with Facilities.

REPORTING REQUIREMENTS

Chief Executive Officer or his designate - TO will provide the following reports to Facilities, under this SLA:

- Facilities requirements for the period of this agreement during the Annual Business Planning and Budgeting Process
- Quarterly updates, highlighting any material changes to the Annual Facilities Plan

In addition, a list of up to date TO contacts will be maintained and provided to Facilities - Schedule 2.

COMMUNICATIONS RESPONSIBILITIES

- TO will maintain ongoing communication regarding use of facilities services and variances from the Annual Facilities Plan
- TO will notify Facilities of staff changes as soon as approval/decision has been granted

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- TO will be expected to request only those services it requires and be able to define needs to ensure appropriate service provision
- During the Annual Business Planning and Budgeting Process, TO in conjunction with Facilities, should define ongoing business needs to ensure appropriate service provision

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10.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- TO - IT Services
- TO - Supply Chain Management
- TO - HR Services

11.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute by the following process:

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Director Facilities
- 1.4 On receipt of the notice, the Director Facilities will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Group of Companies.

The decision of the President and CEO of Hydro Ottawa Group of Companies shall be considered final and shall be adhered to by both parties.

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12.0 SIGNATURES

Hydro Ottawa Limited.



Peter Leonard
Manager Facilities

Date:

Sept 13/07

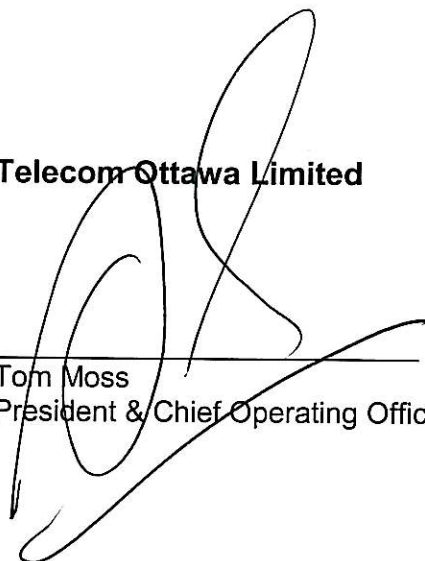


Doug Shannon
Director Finance

Date:

Sept 13/07

Telecom Ottawa Limited



Tom Moss
President & Chief Operating Officer

Date:

September 13/2007

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SCHEDULE 1
EFFECTIVE JAN 1, 2007
FACILITIES MANAGEMENT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS - 2007

<u>SERVICE</u>	<u>ESTIMATED QUANTITY</u>	<u>UNIT COST</u>	<u>TOTAL ESTIMATED COST</u>
1. Operations and Office Services			
<i>Maple Grove</i>			
☐ Office	11,500 sq.ft.	\$6/sq.ft.	\$ 69,000
Hubs			<i>Min: \$250/month</i>
Albion	400 sq.ft.	\$12/sq.ft.	\$ 4,800
Overbrook	161 sq.ft.	\$12/sq.ft.	\$ 1,932
Billings	306 sq.ft.	\$12/sq.ft.	\$ 3,672
Florence			\$ 3,000
Kanata	100 sq.ft.	\$12/sq.ft.	\$ 1,200
Merivale			\$ 3,000
Woodroffe			\$ 3,000
2. Special Projects	100 hours	\$50/hour	\$ 5,000
3. Operation Costs for Utilities	100% of Utilities	100% of \$70,000/year-estimated	\$ 70,000
TOTAL FACILITIES COST			\$ 164,604

Schedule 1 Notes (see next page)

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Schedule 1 Notes
Telecom Ottawa Facilities Management Service Agreement

1. **Operations and Office Services** – includes provision of heating, ventilation, air conditioning, snow shoveling, grass cutting, building maintenance services, building and office security, and property administration services charged on a square foot basis, depending on type of premise: warehouse, office, station, Hub and location.
2. **Special Projects includes** – facilities consulting services
3. **Operation Costs for Utilities** – includes heat, water, hydro. If actual operating costs for the year are lower by 10% or more of the estimated amount, actual operating costs will be charged.

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**SCHEDULE 2
FACILITIES MANAGEMENT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u>
Facilities Department			
			<i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Facilities Help Desk	613-738-5499 Ext. 7438	N/A	FacilitiesHelpDesk @hydroottawa.com
Doug Shannon Director, Finance	613-738-5499 x 234	613-282-4057	dougshannon@
Peter Leonard Manager, Facilities	613-738-5499 x 206 F: 613-738-6420	613-913-5061	peterleonard@
Joey St.Jacques Supervisor, Facilities	613-738-5499 Ext. 161 F: 613- 738-5475	613-229-3585	joeystjacques@
Telecom Ottawa Limited			
			<i>(all TO addresses @telecomottawa.com)</i>
Tom Moss President & Chief Operating Officer	613-225-4631 Ext. 7117 F: 613-225-0636		tommoss@
Vivian Karaiskos Director, Finance	613-225-4631 Ext. 7216		viviankaraiskos@

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**Service Level Agreement
between
Hydro Ottawa Limited, Shared Services – IT
and
Telecom Ottawa Inc.
for**

**Information Technology Services
SLA #TO2007-01**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Information Technology Services to be provided by Hydro Ottawa Limited, – Information Services & Technology (IT) to Telecom Ottawa Inc. (TO).

Services covered under this agreement include VPN Services for JDE application, Technical Support, and Applications Support Services.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 includes the estimated cost of services for 2007. Schedule 2 contains a list of key contacts for both IT and TO. Schedule 3 provides a description of Severity classifications to classify requests for IT services as well as associated resolution targets.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

The following policy statements will apply:

- Data integrity and data security are of utmost importance to the Corporation.
- All use of hardware or software on the Hydro Ottawa Limited system, introduced by TO, must be authorized by IT as compliant and compatible with other corporate applications
- IT will manage all outsourcing with respect to services identified in this SLA
- Priorities of response for IT will be developed by IT and will include the following criteria: mission critical; nature of problem; availability of alternative; importance to local operations
- IT and TO staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- IT will charge TO for its services at market rates (if available), or full cost, during the term of this agreement

Accountabilities

For the services as documented in Schedule 21:

- IT will set standards for services supported under this SLA
- IT will provide assistance to TO in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process
- IT will be accountable for providing timely, cost effective IT solutions on both planned and emergency basis

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Process

The following process statements will apply:

- Requests for IT services covered under this agreement will be made to the Help Desk, by phone (ext. 263) or email (ITHelpDesk@hydroottawa.com) during business hours
- For IT emergencies after hours, TO will contact personnel as outlined in the After Hours IT Assistance process (to be provided)
- TO will inform IT of any required changes to services resulting from changes in TO employee's employment status.
- All requests will be tracked and logged using a problem ticket system
- Help Desk will provide first level of response to Help Desk Requests
- TO will obtain IT approval prior to making new connections to Hydro Ottawa Limited's voice/data network

Definitions

- **Business hours** - Monday to Friday 8:00 to 4:00 p.m. excluding statutory and civic holidays
- **After hours** – all hours outside Business hours, including statutory and civic holidays
- **Business days** - Monday to Friday excluding statutory and civic holidays
- **Mean Time to Repair (MTTR)** - The average measured unavailable time to restore a network service or device (voice or data) after it is deemed to be unavailable. The MTTR is calculated by taking a monthly average of the measured unavailable time taken to repair all "Work Orders", with the same severity level [based on the agreed upon criteria]. The total measured unavailable time is totaled at the end of each month and divided by the number of times a network service or device (voice or data) is deemed unavailable in that month
- **Mission critical** – Any service or device whose failure will have a significant monetary impact on the user's business
- **Help Desk Request** – A request for support related to Hydro Ottawa approved hardware and/or software, to fix a defect in existing application code or existing service, or a request for support that involves no modifications to an application or existing service. Requests will be identified within 3 categories as follows:
 - **Level 1 Support** – response to basic questions, such as forgotten password, email addresses, login issues
 - **Level 2 Support** – resolution of minor problems, such as walk through instructions for correcting error messages, use of Outlook Calendar
 - **Level 3 Support** – on-site resolution of a hardware or software problem
- **Technical Service Request** – A request for support that is excluded from definition of a Help Desk Request
- **Server applications** – Software applications which reside on the network utilizing a network processor or equipment to support one or more client devices or workstations

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- **Database applications** – Software applications using a database, which typically serves multiple users and resides on one or more network servers
- **Data Network Infrastructure** – All hardware associated with the network topology including local area networks (LAN), wide area networks (WAN), and interfacing to outside networks (i.e. Internet)
- **Data Back-ups** – The removal and off-site storage of data used in the restoration of deleted files, archival of data for business and accounting needs and/or regulations, and for disaster recovery
- **Business continuance** – Ongoing day to day operation of the business
- **Network Security** – Maintenance and prevention activities associated with reliable operation of the network. (Managing the threat of hackers and virus is only one facet of this)
- **Data security** – Managing who has access and what type of access (read, write, delete) to data. (See also Data Back-ups)
- **Enterprise Data Management** – ensuring availability and security of all Corporate data
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Telecom Ottawa Inc., which Hydro Ottawa Limited or Telecom Ottawa Inc., treat as confidential and proprietary

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3.0 IT SERVICES TO BE PROVIDED

Virtual Private Network (VPN) Service for JD Edwards (JDE) application:

Ongoing operation and maintenance of the router/firewall and the maintenance support cost corresponding to usage of this device for access JDE as hosted by Hydro Ottawa.

Technical Support includes:

- Help desk support (Level 1 and Level 2)
- Help Desk Level 3 Support
 - hardware and software support requiring on-site servicing by technicians
- Coordination of customer initiated moves and changes to existing IT related equipment
- IT asset repairs due to damage caused by the customer
- Systems and applications research and advice
- General IT advisory services

Business Applications Support Services includes:

- Implementation and support of corporate-wide applications
- Software / hardware upgrades
- Software / hardware patches and fixes
- Licensees
- Maintenance contracts
- Coordination of training for new corporate software applications

IT Services excludes:

- Telecommunications and software support on any application or equipment not specified and approved by Hydro Ottawa Limited. However, IT will provide "best effort" support for non-standard TO software applications
- Training on enterprise wide software, which is the responsibility of the user
- Development of enhancements to the functionality of software provided

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008.

Pricing for IT services is as follows:

1. **VPN Services for JDE Application – Annual IT connection fee will be set for existing link based on current functionality.**

2. **Technical Support will be provided on a fee for service basis (charged per hour on a request basis).**

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3. ***Business Applications Support Services - A fee will be allocated, determined by estimates of annual requirements, for support of corporate software applications (i.e. CIS, JD Edwards, Oracle).***
4. ***Financial System Reporting Support Services – Annual fee for services rendered by Dave Power and Jan VandenTillaart.***

Note: An end of the year adjustment will take place, based on a review of the total operating costs to provide the services noted in the contract, compared with the agreed upon fee structure, if greater or less than \$500.00, All costs must be supported by invoices and detailed calculations.

Schedule 1 details the Service Requirements and Pricing estimates for the duration of this agreement.

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5.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
<i>Resolution Time</i>	
IT will implement solutions based on Severity classification. (Schedule 3)	95% of the time
<i>Quality Indicators</i>	
Help Desk will be available Monday to Friday 8:00 a.m. to 4:00 p.m., excluding statutory and civic holidays	98% of the time
IT will be available to provide planned after hours support, upon 2 business days advance request from TO	95% of the time
Network Reliability – The Network will be accessible 24 hours a day, 7 days a week, with the exclusion of planned maintenance	98% of the time

6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

A list of up to date contacts will be maintained and provided to TO - Schedule 32.

ESSENTIAL COMPETENCIES

IT will have the expertise required to support the hardware and software for which it is responsible under this SLA, including project management, management reporting and communications skills, or will acquire these skills as necessary.

TRAINING

IT will be accountable for ensuring that its staff has the necessary skills, knowledge and training to execute the work as outlined in the SLA and to ensure that its staff are trained in aspects of the Affiliate Relationships Code (Section 2.6) pertaining to "Confidentiality of Information".

PRIORITIZATION

Work will be prioritized according to availability of business impact and alternative sources of service.

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COST CONTROL

IT will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

IT will be responsible for providing remedy in those circumstances where lower service levels within its control cause TO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in paragraph 10.0 of this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- IT will be responsible for providing timely, cost-effective, professional services to TO
- IT will provide assistance to TO in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

IT will respond to each notice with a date when the request can be met within 21 business hours of receiving the notice.

REPORTING REQUIREMENTS

Upon request, Chief Operating Officer – TO will provide the following reports to Supervisor – Network and Client Services, under this SLA:

- IT requirements for the period of this agreement during the Annual Business Planning and Budgeting Process

In addition, a list of up to date contacts will be maintained and provided to Supervisor – Network and Client Services – Schedule 2.

COMMUNICATIONS RESPONSIBILITIES

TO will maintain ongoing communication regarding use of IT services and variances from the Annual IT Plan.

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ACCESS TO EQUIPMENT

TO will provide IT staff with access to IT equipment as required to fulfill operational obligations.

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- TO will be expected to request only those services it requires

9.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- TO – Facilities Management
- TO – Supply Chain Management
- TO – Human Resources

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavor in good faith to settle the dispute by the following process:

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Chief Operating Officer, Hydro Ottawa Limited.
- 1.4 On receipt of the notice, the Chief Operating Officer, Hydro Ottawa Limited will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Holding Inc.

The decision of the President and CEO of Hydro Ottawa Holding Inc shall be considered final and shall be adhered to by both parties.

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11.0 SIGNATURES

Hydro Ottawa Limited.



David Reeves
Director Information Services & Technology

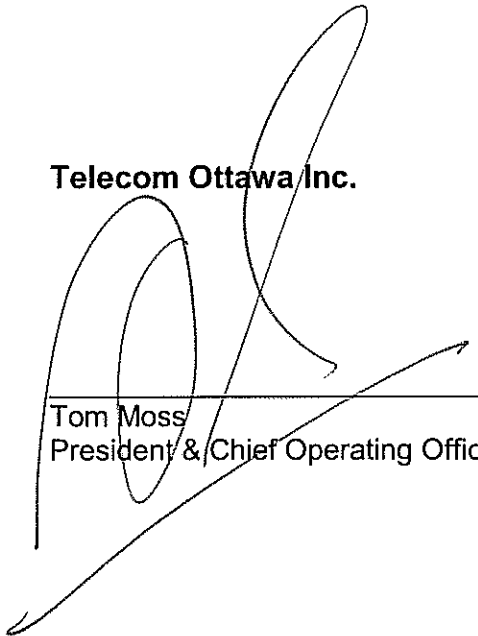
Date: 2007-08-09



Norm Fraser
Chief Operating Officer

Date: Aug 10, 2007

Telecom Ottawa Inc.



Tom Moss
President & Chief Operating Officer

Date: August 2/2007

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SCHEDULE 1
IT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND PRICING – 2007

	Estimated Quantity	Unit Cost	Estimated Total Cost
VPN services for JDE application	12 months	\$100/month	\$ 1,200
Technical Support	100 hours	\$70/hour	\$ 7,000
Business Applications Support Services	Estimated 31 JDE User	\$2,500/yr /JDE User	\$77,500
Financial System Reporting support services		\$37,500/yr	\$37,500
TOTAL IT COST			\$123,200

Notes:

- 1) **VPN Services for JDE application** – includes support of the router/firewall and the maintenance support cost corresponding to usage of this device.
- 2) **Technical Support** - includes technical on site solutions, advisory services and requested research; and IT asset repairs due to damage caused by the customer. Dollars shown are an estimate only, using an average labour rate of \$70.00. Actual costs will be charged out per hour, as incurred.
- 3) **Business Applications Support** - includes the charges for licenses, maintenance, external technical support, coordination of training on new corporate software and internal technical support for JD Edwards; allocated on estimated use basis. Number of JDE (JD Edwards) users to be calculated on actual JDE accounts on last business day of each month.
- 4) **Financial System Reporting support services** – includes support for management of the financial systems aspects of JD Edwards including setup of new processes and procedures as well as improvements to current processes and procedures. Further support includes troubleshooting of data errors such as AP/AR error batches, integrity errors and fixed asset problems.

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**SCHEDULE 2
IT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Information Technology Department			
David Reeves Director	P: 613-738-5499 Ext. 329	613-282-2474	davidreeves@
IT Helpdesk	P: 613-738-5499 Ext. 263 F: 613-738-5485	n/a	ITHelpDesk@
Rory Dowler Supervisor – Network and Client Services	P: 613-738-5499 ext. 265 F: 613-738-5485	613-282-0798	rorydowler@
Linda Rodier Supervisor – Business Applications and Support	P: 738-5499 Ext. 382 F: 613-738-5485	613-282-0952	lindarodier@
Frank Lahaie Business Services Analyst	P: 613-738-5499 ext. 7629 F: 613-738-5485	613-277-8996	franklahaie@
Telecom Ottawa Inc.			
			<i>(all Telecom Ottawa addresses @telecomottawa.com)</i>
Tom Moss Chief Operating Officer	P: 613-225-4631 Ext. 7117 F: 613-225-0636	613-447-3484	tommos@
Vivian Karaiskos Director Finance	P: 613-225-4631 Ext. 7216	613-850-2754	viviankaraiskos@

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SCHEDULE 3 SEVERITY CLASSIFICATION

The following is extracted from IS&T document IT-I-005, *Prioritization Criteria* which is accessible through the IS&T website.

Basic description

A Severity code indicates the seriousness of an Incident expressed by its effect on normal business activity. Classifying which Incidents need to be resolved is dependent upon the:

1. impact on the business
2. urgency to the business
3. size, scope and complexity of the Incident
4. users ability for coping in the meantime and for correcting the fault (workarounds)

Specific Severity descriptions

Severity 1. The problem causes complete loss of service. Work cannot reasonably continue, the operation is mission critical to the business and the situation is an emergency.

Severity 2. The problem causes a severe loss of service. No acceptable workaround is available; however, operation can continue in a restricted fashion.

Severity 3. The problem causes minor loss of service. The impact is an inconvenience, which may require a workaround to restore functionality.

Severity 4. The problem causes no loss of service. The result is a minor error, incorrect behavior, documentation error that does not impede the operation of a system, request to clarify the function of a service or the request for a new service.

Service interruptions will generally receive a Severity classification of 1, 2 or 3 and requests for new services would be classified as Severity 4.

Resolution targets

Classification	General Name	Resolution target
Severity 1	Critical	1 Business Day
Severity 2	High	3 Business Days
Severity 3	Medium	7 Business Days
Severity 4	On-going	On-going (Target defined with user)

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**Service Level Agreement
between
Hydro Ottawa Limited - Human Resources
and
Telecom Ottawa Limited
for**

***Human Resources Services*
SLA #TO2007-07**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Human Resources services to be provided by Hydro Ottawa Limited (HOL) Human Resources, to Telecom Ottawa Limited (TO).

Services covered under this agreement include the administration and associated maintenance activities of the Employee Benefit Plan Program, ensuring the documentation is up to date and accurate related to both new and existing employees and the cost of the Employee Assistance Program.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 includes the estimated cost of services for 2007. Schedule 2 contains a list of key contacts for both HOL Human Resources and TO.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

Human Resources will develop Human Resource policies. In the interim the following policy statements will apply:

- Priorities for Human Resources response will be developed by Human Resources. TO and HOL Human Resource staff must adhere to policies and guidelines defined in the Corporate Code of Conduct.
- Human Resources will charge TO for its services at market rates (if available), or full cost during the term of this agreement.

Processes

Human Resources will develop Human Resources processes. In the interim the following processes will apply:

- All services offered will be performed in accordance with approved company procedures.
- Upon receipt of inquiries requested by TO, HOL Human Resources will give an acknowledgement to TO within 24 hours.
- A problem escalation process will be developed and communicated to all users.

Definitions

- **Planned Expenditure** – An expenditure identified and approved through the Annual Business Planning and Budgeting Process.
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Telecom Ottawa Inc., which Hydro Ottawa Limited or Telecom Ottawa Inc., treat as confidential and proprietary.

3.0 SERVICES TO BE PROVIDED

Basic Services includes:

- Human Resources services covered under this agreement include benefit enrollment, change requests, inquiries and the monthly billing of premiums and the costs associated with the Employee Assistance Program.

Additional Services includes:

- Additional Services such as providing advice, information and consultation be billed at an hourly rate of \$131.25.

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4.0 PRICING PRINCIPLES

Schedule 1 details the Service Requirements and Cost estimates for the duration of this agreement.

5.0 COMPENSATION

HOL Human Resource services will provide TO with monthly reports outlining costs as detailed in Schedule 1, and volumes of work per service undertaken for TO. Compensation for services will be made by cheque or electronic transfer.

6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

REPORTING REQUIREMENTS

HOL Human Resource will provide the following reports to TO as part of this agreement.

- A monthly report of all costs and volumes of work.
- A report to keep track of the number of enrollment and changes.

TO will provide the number of employees to HOL Human Resources at the end of each month.

TRAINING

HOL Human Resources will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

COST CONTROL

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HOL Human Resources will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of TO. Monthly premium will be billed to TO on a monthly basis.

RISK

HOL Human Resources will be responsible for providing remedy in those circumstances where lower service levels within its control cause TO demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- HOL Human Resources will be responsible for providing timely, cost-effective; professional services to TO
- HOL Human Resources will provide assistance to TO in determining cost, history and drivers that will be used to determine the supply service requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

TO will budget for required Human Resources services on an annual basis, in consultation with the HOL Director, Human Resources.

REPORTING REQUIREMENTS

Upon request, the President & Chief Operating Officer – TO is to provide the following to the HOL Director, Human Resources, under this SLA:

- Human Resource requirements (estimated staffing levels) during the Annual Business Planning and Budgeting Process

In addition, a list of up to date TO contacts will be maintained and provided to HOL Human Resources - Schedule 2.

COMMUNICATION RESPONSIBILITIES

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TO will maintain ongoing communication as required regarding the use of HOL Human Resources services

OVERALL RESPONSIBILITIES OF THE SERVICE USER

TO will utilize the services provided by HOL Human Resources as may be required and will be able to define needs to ensure appropriate service provision.

9.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- TO – IT Services
- TO – Facilities Management

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute.

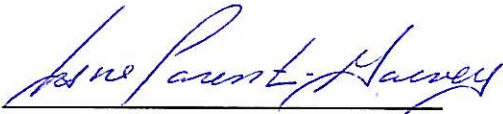
- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (1.1), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the HOL Director, Human Resources.
- 1.4 On receipt of the notice, the HOL Director, Human Resources will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Group of Companies.

The decision of the President and CEO of Hydro Ottawa Group of Companies shall be considered final and shall be adhered to by both parties.

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11.0 SIGNATURES

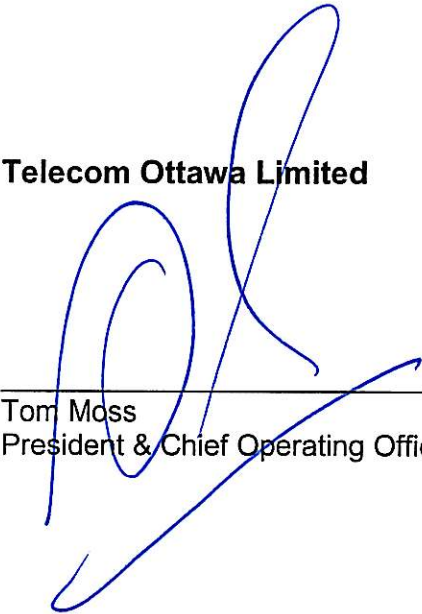
Hydro Ottawa Limited



Lyne Parent-Garvey
Director, Human Resources

Date: 2007-08-23

Telecom Ottawa Limited



Tom Moss
President & Chief Operating Officer

Date: September 11/2007

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SCHEDULE 1
Human Resources SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS - 2007

<u>Business Entity</u>	<u>Projected number of employees as of January 1, 2007</u>	<u>Annual Fee for Basic Services</u>
Basic Services	45 employees at \$367.50 each/year	\$16,537.50
Employee Assistance Program	45 employees at \$62.02 each/year	\$2,790.90
Total Estimated		\$19,328.40

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**-SCHEDULE 32
HUMAN RESOURCES SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Human Resources Department			
Lyne Parent-Garvey Director, Human Resources	P: 613-738-5499 Ext. 316 F: 613-738-6402		lyneparent-garvey@
Ken Lewis Manager, Human Resources	P:613- 738-5499 Ext. 330 F: 613-738-5487		kenlewis@
Telecom Ottawa Limited			
			<i>(all Telecom Ottawa addresses @telecomottawa.com)</i>
Tom Moss President & Chief Operating Officer	P: 613-225-4631 Ext. 7117 F: 613-225-0636	613-858-8337	tommos@
Vivian Karaiskos Director, Finance	P: 613-225-4631 Ext. 7216	613-850-2754	viviankaraiskos@
Stephanie Holmes Manager, Human Resources	P: 613-225-4631 Ext. 7250	613-299-8729	stephanieholmes@

SLA: TELECOM OTTAWA – HUMAN RESOURCES SERVICES	SLA Number: TO2007-07
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**Service Level Agreement
between
Hydro Ottawa Limited – Human Resources
and
Hydro Ottawa Holding Inc.
for**

***Human Resources Services*
SLA #HOHI2007-07**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Human Resources Services to be provided by Hydro Ottawa Limited – Human Resources, to Hydro Ottawa Holding Inc, (HOHI).

Services covered under this agreement include the full provision of human resources services, including health, safety, and payroll services.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 will be augmented with relevant policies and processes throughout the duration of this Service Agreement. Schedule 2 includes the estimated cost of services for 2007. Schedule 3 contains a list of key contacts for both Human Resources and HOHI.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

Human Resources will develop Human Resource policies as appropriate (Schedule 1). In the interim the following policy statements will apply:

- HOHI will adhere to procedures developed by Human Resources for compliance with Corporate Human Resources Policies and Procedures
- Priorities for Human Resources response will be developed by Human Resources. HOHI and Human Resource staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- Human Resources will charge HOHI for its services at market rates (if available), or full cost during the term of this agreement

Accountabilities

- HOHI will be accountable for providing Human Resources with estimated service requirements identified during the Annual Business Planning and Budgeting Process

Processes

Human Resources will develop Human Resources processes (Schedule 1). In the interim the following processes will apply:

- All services offered will be performed in accordance with approved company procedures (Schedule 1)
- A problem escalation process will be developed and communicated to all users

Definitions

- **Planned Expenditure** – An expenditure identified and approved through the Annual Business Planning and Budgeting Process.
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or HOHI, which Hydro Ottawa Limited or HOHI, treat as confidential and proprietary.

3.0 SERVICES HOHI BE PROVIDED

Basic Services includes:

- Human Resources Services covered under this agreement include recruitment, selection, documentation, orientation, training, performance

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management, pay, benefits and pension administration, compensation, policy, recognition programs, termination support and wellness, health and safety.

External Resources:

- It is recommended that each business set up its own account with the external service providers, such as legal counsel, consultants, etc.

4.0 PRICING PRINCIPLES

Schedule 2 details the Service Requirements and Cost estimates for the duration of this agreement.

5.0 COMPENSATION

Human Resource Services will provide HOHI with monthly reports outlining costs as detailed in Schedule 2. Compensation for services will be made by cheque or electronic transfer.

6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

ESSENTIAL COMPETENCIES

TRAINING

Human Resources will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

PRIORITIZATION

SLA:	HOHI – HUMAN RESOURCES SERVICES	SLA Number:	HOH2007-07
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Work will be prioritized according to established criteria – Schedule 1 (e.g. system impacts, first in first out, etc.).

COST CONTROL

Human Resources will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of HOHI.

RISK

Human Resources will be responsible for providing remedy in those circumstances where lower service levels within its control, cause to demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- Human Resources will be responsible for providing timely, cost-effective; professional services to HOHI
- Human Resources will provide assistance to HOHI in determining cost, history and drivers that will be used to determine the supply service requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

HOHI will budget for required Human Resources services on an annual basis, in consultation with the Director Human Resources.

REPORTING REQUIREMENTS

A list of up to date HOHI contacts will be maintained and provided to Human Resources - Schedule 3.

COMMUNICATION RESPONSIBILITIES

HOHI will maintain ongoing communication regarding use of Human Resources services

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OVERALL RESPONSIBILITIES OF THE SERVICE USER

HOHI will be expected to utilize the services provided by Human Resources and be able to define needs to ensure appropriate service provision.

9.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- HOHI – IT Services
- HOHI – Facilities Management

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute.

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (1.1), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Director Human Resources.
- 1.4 On receipt of the notice, the Director Human Resources will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of HOHI.

The decision of the President and CEO of HOHI shall be considered final and shall be adhered to by both parties.

SLA:	HOHI – HUMAN RESOURCES SERVICES	SLA Number:	HOH2007-07
Effective Date:	January 1, 2007	Page Number:	5
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11.0 SIGNATURES

Hydro Ottawa Limited



Lyne Parent-Garvey
Director Human Resources

Date: 2007-08-01

Hydro Ottawa Holding Inc.



Wojciech Zielonka
Chief Financial Officer

Date: Aug 14, 2007

SLA:	HOHI - HUMAN RESOURCES SERVICES	SLA Number:	HOH2007-07
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SCHEDULE 1
Human Resources SERVICE AGREEMENT
POLICIES AND PROCEDURES

Policies

Human Resource policies, procedures, guidelines and associated forms are located on the Hydro Ottawa Limited Intranet site

Additional areas remain under development and as approval is received they will be added to the master list.

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SCHEDULE 2
Human Resources SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS - 2007

<u>Business Entity</u>	<u>Projected number of employees as of January 1, 2007</u>	<u>Fee for Basic Service Per employee</u>
HOHI	17	\$2,649
Total Estimated		\$45,033

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**Schedule 3
HUMAN RESOURCES SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all Hydro Ottawa addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Human Resources Department			
Lyne Parent-Garvey Director, Human Resources	P: 613-738-5499 Ext. 316 F:		lyneparent-garvey@
Ken Lewis Manager Human Resources Services	P: 613-738-5499 Ext. 330 F:		kenlewis@
Hydro Ottawa Holding Inc.			
Wojo Zielonka Chief Financial Officer	P: 613-738-5499 Ext. 205 F:		wojozielonka@
Patricia Sheridan Director, Corporate Finance	P: 613-738-5499 ext. 7479		patriciasheridan@

SLA:	HOHI – HUMAN RESOURCES SERVICES	SLA Number:	HOH2007-07
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**Service Level Agreement
between
Hydro Ottawa Limited - Facilities
and
Hydro Ottawa Holding Inc.
for**

**Facilities Management Services
SLA #HOHI2007-02**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines Facilities Management Services to be provided by Hydro Ottawa Limited, Finance – Facilities (Facilities) to Hydro Ottawa Holding, Inc. (HOHI).

Services covered under this agreement include Operations and Office Services, Workspace Provisioning and Special Facilities Projects.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 will be augmented with relevant policies and processes throughout the duration of this Service Agreement. Schedule 2 includes the estimated cost of services for 2007. Schedule 3 contains a list of key contacts for both Facilities and HOHI.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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Effective Date: January 1, 2007	Page Number: 1
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2.0 BUSINESS ASSUMPTIONS

Policies

Facilities will develop Facilities Management policies (Schedule 1). In the interim, the following policy statements will apply.

- Facilities will determine and recommend the optimum use of all Hydro Ottawa Holding facilities
- Facilities will manage the procurement, maintenance, and disposal of facility related Minor Fixed Assets
- Facilities will ensure compliance with regulatory and insurance requirements, including fire codes, on behalf of the asset owner
- HOHI will adhere to procedures developed by Facilities for compliance with regulatory and insurance requirements
- Priorities of response will be developed by Facilities and will include the following criteria: health and safety, security systems, building structural safety
- All Emergency Preparedness programs and procedures will comply with legal and regulatory requirements, such as Ontario Energy Board (OEB), Independent Electricity System Operator (IESO) Market Rules, and fire codes
- System restoration and emergency evacuation drills will be held annually
- HOHI and Facilities staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- HOHI and Facilities staff must be fully aware of and compliant with the Affiliate Relationships Code
- Facilities will charge HOHI for its services at market rates (if available), or full cost during the term of this agreement

Accountabilities

- Facilities will provide HOHI with an outline of the cost elements required for the Annual Business Planning and Budgeting Process (cost per square foot, cost for furniture, cost per move)
- HOHI will be accountable for providing Facilities with all facility requirements identified during the Annual Business Planning and Budgeting Process including staff plans, space and equipment requirements, and timing
- Facilities will be responsible for developing an Annual Facilities Plan
- Facilities will be accountable for setting standards for office furnishings, equipment and space
- Services for office maintenance, grass cutting and snow plowing will be provided at standards set by Facilities
- Facilities Management will be accountable for providing compliance guidelines and for maintaining records that demonstrate compliance with all necessary permits and regulations for all Hydro Ottawa Holding and Hydro Ottawa Limited assets

SLA: HOLDING COMPANY – FACILITIES MANAGEMENT	SLA Number: HOH2007-02
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- Facilities will be accountable for contractor management during capital construction projects, including access to the sites, and contractor certification and training
- Facilities will be responsible for ensuring compliance with all regulatory requirements and obtaining all necessary approvals required for distribution system work
- Facilities will be accountable for providing the development, implementation, and administration of the Hydro Ottawa Emergency Preparedness Program
- Facilities will develop the Corporate procedures and documentation and provide training in Emergency Preparedness

Process

Facilities will be developing Facilities Management processes and procedures (Schedule 1). In the interim, the following processes will apply.

- All Operations and Office Services Requests made during business hours, for facilities services covered under this agreement, will be made to the Help Desk, by phone (ext. 7438) or email (FacilitiesHelpDesk@hydroottawa.com) during business hours
- For Facilities emergencies after hours, HOHI will contact personnel as outlined in the After Hours Facilities Assistance process - Schedule 1
- All other Facilities requests will be initiated by memo (or email) to individuals as noted below and authorized/signed by a Manager of HOHI, with the exception of new hires which will be coordinated through the Staff Hiring / Termination Logistics Process – (Schedule 1):
 - Workspace Provisioning – to Helpdesk (FacilitiesHelpdesk@hydroottawa.com)
 - Property Administration Services – to Property Administrator
 - Special Projects – to Facilities Manager
- Non-Standard Service Requests – to Facilities Manager
- All Operations and Office Services Requests made during business hours, for facilities services covered under this agreement, will be made to in accordance with the Operations and Office Service Requests – Schedule 1
- All Operations and Office Service Requests will be logged and tracked
- HOHI will provide Facilities with staff, space, equipment, and timing requirements, during the Annual Business Planning and Budgeting Process
- Based on information provided by HOHI, Facilities will prepare an Annual Facilities Plan identifying all planned moves and additions, as well as procurement of standard office furnishings, equipment and space
- All unplanned moves, additions and changes will be communicated to Facilities as soon as approval to hire is granted or moving decisions are made. All costs associated with unplanned moves (material and labour) will be charged to the business unit requesting the move
- A problem escalation process will be developed and communicated to all users
- HOHI will provide Facilities with documentation regarding all permits and regulatory requirements for facilities records management (Schedule 1)

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Definitions

- **Minor Fixed Assets (Facilities)** - desks, chairs, bookshelves, filing cabinets, signs, portable lighting, common area furniture
- **Damage** – subjecting a Facilities asset to careless use, causing excess wear and tear or specific damage
- **Operations and Office Services Request** – a request for services related to the building and facilities including Heating, Ventilation, and Air Conditioning (HVAC), office equipment and emergency facilities repairs
- **Temporary Work Station** – a work station with basic furniture and equipment (desk, phone, chair, computer) provided for contract employees or consultants, on a short term basis (less than 3 months)
- **Unplanned work** - work that has not been included in the approved Business Plan
- **Business Days** - Monday to Friday excluding statutory and civic holidays
- **Business Hours** - Monday to Friday 8:00 a.m. to 5:00 p.m., excluding statutory and civic holidays
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Holding Inc. or Hydro Ottawa Limited, which Hydro Ottawa Holding Inc. or Hydro Ottawa Limited, treat as confidential and proprietary.
- **Gross cost** - Cost per square foot of occupancy, including property taxes, utilities and reasonable common space area for the duration of this agreement (Office furniture is not included in cost per square foot)

3.0 SERVICES TO BE PROVIDED

Workspace Provisioning includes:

- Moves, additions and changes
- Needs analysis
- Space / office standards
- Managing the subcontracting for design and/or move
- Provision of fully functional furnished office, including coordination of phone and computer installation

Operations and Office Services includes:

- **Office space and services** including:
 - Provision of heating, ventilation, air conditioning, snow shoveling, grass cutting, and building maintenance services
 - Rental of office furniture and equipment
 - Building security
 - Office security
 - Parking (including indoor heated garage)
 - Scheduled building inspection and maintenance
 - Response to Facilities related emergency calls

SLA: HOLDING COMPANY – FACILITIES MANAGEMENT	SLA Number: HOH2007-02
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Property Administration Services includes:

- Advisory services with respect to location, taxes, and market value of real estate options
- Maintenance of property records
- Reporting, as required

Special Facilities Projects includes:

- Project management, including:
 - Project Scope
 - Estimating
 - Project Management
 - Engineering/Design
 - Needs analysis / recommendation
 - Costing
 - Project details
 - Timelines
 - Construction Management
- Provision of temporary work stations
- Facilities asset repairs due to damage caused by the customer
- Conference / meeting room set up
- Special events set up and tear-down
- Contractor supervision for minor facilities requests of behalf of HOHI (e.g. during the installation of customized branding materials)

Emergency Preparedness Services includes:

- Development and administration of the Emergency Preparedness program and procedures
- Training in Emergency Preparedness
- Maintenance of facilities including monitoring and auditing of the Emergency Operations Centre (EOC) and Incident Command Centre (ICC)
- Records Management
- Annual drills

SLA: HOLDING COMPANY – FACILITIES MANAGEMENT	SLA Number: HOH2007-02
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4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008. There will be five levels of pricing for Facilities services as follows:

1. Operations and Offices Services - A cost per square foot depending on type of premise (warehouse, office, station) and location, and will include:

- Provision of heating, ventilation, air conditioning
- Snow shoveling, grass cutting
- Building maintenance services
- Building and office security
- Property administration services

2. Workspace Provisioning - Service will be charged on a per move basis for moves, additions and changes, including:

- Contractor management and costs
- Physical move
- Coordination of phone and computer installation

There will be 2 flat charges for moves, one for a move with furniture and one for a move without furniture

3. Furniture Rental - An annual cost per workstation for office furniture and equipment, based on the following costs:

- Standard workstation - \$6,000 depreciated over 10 years
- Manager and Executive suite - \$15,000, depreciated over 10 years

4. Special Projects - Service will be provided on a fee for service basis (charged per hour on a request basis, plus equipment) for:

- Needs analysis, or other facilities consulting services
- Special conference room arrangements
- Special events set up and tear-down
- Facilities assets repairs due to damage caused by the customer
- Provision of temporary work stations

There will be 2 types of charges for special projects: internal labour, plus materials; and external labour, plus materials

Note: An end of the year adjustment will take place, based on a review of the total operating costs to provide the services noted in the contract, compared with the agreed upon fee structure, if greater or less than \$500.00.

Schedule 2 details Service Requirements and Pricing estimates for the duration of this agreement.

SLA: HOLDING COMPANY – FACILITIES MANAGEMENT	SLA Number: HOH2007-02
Effective Date: January 1, 2007	Page Number: 6
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Note: Affiliate Transactions

Subsection 2.3 of the Affiliate Relationships Code specifies the following standards of conduct that impact the accounting for transactions between the regulated utility and its affiliates:

1. Where a utility provides a service, resource or product to an affiliate, the utility shall ensure that the sale price is no less than the fair market value of the service, resource or product.
2. In purchasing a service, resource or product, from an affiliate, a utility shall pay no more than the fair market value. For the purpose of purchasing a service, resource or product a valid tendering process shall be evidence of fair market value.
3. Where a fair market value is not available for any product, resource or service, a utility shall charge no less than a cost-based price, and shall pay no more than a cost-based price. A cost-based price shall reflect the costs of producing the service or product, including a return on invested capital. The return component shall be the higher of the utility's approved rate of return or the bank prime rate.
4. A utility shall sell assets to an affiliate at a price no less than the net book value of the asset.

5.0 COMPENSATION

Facilities will provide HOHI with monthly reports outlining costs as outlined in Schedule 2, and volumes of work per service undertaken for HOHI. Compensation for services will be made by cheque or electronic transfer.

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6.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
Timeliness	
For minor moves (move or change to existing work stations) of fewer than 4 workspaces: <ul style="list-style-type: none"> • Within 10 business days, workplaces will be moved or reconfigured, using existing furniture and equipment 	90% of the time
For new additions of fewer than 4 workspaces: <ul style="list-style-type: none"> • Within 12 weeks, to allow for vendor lead times and construction, including permits and inspections, workplaces will be fully provisioned for each new addition 	90% of the time
For major moves (more than 4 workspaces), Facilities will work with HOHI to develop a schedule and budget to which it will comply. Results will be measured by a customer satisfaction survey.	80% satisfied
Facilities will complete minor facilities requests (e.g. phone and lan drops, minor facilities purchases, general requests for assistance, temporary work stations, etc), within 5 business days	90% of the time
Operations and Office Service Requests will be acknowledged within 30 minutes, during business hours	95% of the time
Operations and Office Service Requests will be completed within specified timelines as follows: <ul style="list-style-type: none"> • Critical matters (e.g. toilet overflowing; roof leaking,) – immediate action • Minor repairs (e.g. fluorescent lights burned out, defective doors, workstation repairs, plumbing repairs, minor temperature adjustments) – action taken within 2 business days • Major repairs (e.g. broken window, leaking roof, HVAC failure, overhead door repair, building security issues, flooding, building power failure, life safety system response) – action taken within 4 business hours 	95% of the time
Workspace Provisioning Requests will be acknowledged within 1 business day from receipt of authorized, written request	95% of the time
Cost	
Budget met, including any pre-approved variance	95% of the time
Specifications met, including any pre-approved variance	99% of the time
Completeness	
Building will be maintained to highest standards of safety, cleanliness and comfort. Results will be measured by a customer satisfaction survey.	80% satisfied
Quality Indicators	
EP Program development will be appropriate for HOHI, measured by customer transaction survey	80% satisfied
HOHI will be satisfied with the quality of the EP training, as measured by customer transaction survey	80% satisfied
EP records will be maintained efficiently and effectively (audit)	100% of the time
Timely notification by Emergency Preparedness for actions required of HOHI	80% satisfied

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7.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

8.0 RESPONSIBILITIES OF SERVICE PROVIDER

REPORTING REQUIREMENTS

Facilities Manager will provide the following reports to HOHI under this SLA:

- A monthly report of all costs and volumes of work per services as defined in Schedule 2 of this agreement
- A quarterly report outlining the difference between actual costs and invoiced costs. This report will be developed by monitoring actual employee time spent per customer / activity and cost of materials. Results will be compared to totals invoiced (Facilities Variance Report)
- Annual Emergency Preparedness Program Plan as defined in Schedule 2 of this agreement (EP Program Plan)

In addition, a list of up to date Facilities contacts will be maintained and provided to HOHI - Schedule 3.

ESSENTIAL COMPETENCIES

Facilities will have the expertise required to support the activities for which it is responsible under this SLA, or will acquire these skills as necessary, including facilities management, project management, knowledge of Market Rules requirements and Emergency Preparedness expertise, management reporting and communications skills.

TRAINING

Facilities will be accountable for ensuring that its staff has the necessary skills and training to execute the work as outlined in the SLA.

PRIORITIZATION

Work will be prioritized according to established criteria - Schedule 1 (e.g. life safety systems, security systems, building structural issues).

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COST CONTROL

Facilities will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

Facilities will be responsible for providing remedy in those circumstances where lower service levels within its control cause HOHI demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process defined in this SLA.

OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- Facilities will be responsible for providing timely, cost-effective, professional services to HOHI
- Facilities will provide assistance to HOHI in determining cost, history and drivers that will be used to determine the facilities requirements for the Annual Business Planning and Budgeting Process

9.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

HOHI will budget for required facilities management services on an annual basis, in consultation with the Facilities Manager.

REPORTING REQUIREMENTS

HOHI will provide the following reports to the Facilities Manager, under this SLA:

- Facilities requirements for the period of this agreement during the Annual Business Planning and Budgeting Process
- Quarterly updates, highlighting any material changes to the Annual Facilities Plan

In addition, a list of up to date HOHI contacts will be maintained and provided to Facilities - Schedule 3.

COMMUNICATIONS RESPONSIBILITIES

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- HOHI will maintain ongoing communication regarding use of Facilities services and variances from the Annual Facilities Plan
- HOHI will notify Facilities of staff changes as soon as approval/decision has been granted

OVERALL RESPONSIBILITIES OF THE SERVICE USER

- HOHI will be expected to request only those services it requires and be able to define needs to ensure appropriate service provision
- During the Annual Business Planning and Budgeting Process, HOHI in conjunction with Facilities, should define ongoing business needs to ensure appropriate service provision

10.0 RELATED SLAs

The following are additional SLAs that may impact, influence or relate to this SLA:

- HOHI – IT Services
- HOHI – HR Services

11.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavour in good faith to settle the dispute by the following process:

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Director of Finance
- 1.4 On receipt of the notice, the Director Finance will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Holding.

The decision of the President and CEO of Hydro Ottawa Holding shall be considered final and shall be adhered to by both parties.

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12.0 SIGNATURES

Hydro Ottawa Limited – Finance



Peter Leonard
Manager Facilities

Date: July 27/07



Doug Shannon
Director Finance

Date: July 27/07

Hydro Ottawa Holding Inc.



Wojo Zielonka
Chief Financial Officer

Date: July 27/07

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SCHEDULE 1
FACILITIES MANAGEMENT SERVICE AGREEMENT
POLICIES AND PROCEDURES

Policies

Prioritization of Work
Maintenance Standards
Office Furnishings, Equipment and Space Standards
Due Diligence Standards for Contractors

Procedures and Processes

Operations and Office Services Request Process
After Hours Facilities Assistance Process
Maintenance Schedule
Facilities Records Management
Workspace Provisioning Process - Moves, Additions, Changes (MACs)
Miscellaneous Provisioning
Subcontracting
Prioritization Process
Escalation Process
Customer Satisfaction Measurement
Staff Hiring / Termination Logistics
Hydro Ottawa Emergency Preparedness Requirements Document
Emergency Preparedness Records Management
Emergency Preparedness Training
Emergency Preparedness Drills

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SCHEDULE 2
EFFECTIVE JAN 1, 2007
FACILITIES MANAGEMENT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND COSTS

<u>SERVICE</u>	<u>ESTIMATED QUANTITY</u>	<u>UNIT COST</u>	<u>TOTAL ESTIMATED COST</u>
1. Operations and Office Services			
<i>Albion Road</i>			
• Office	4,138 sq. ft.	\$19/sq. ft.	\$ 78,622
2. Workspace Provisioning			
• Macs without furniture & with furniture		\$50/hour	
3. Furniture Rental			
• Standard work station	6	\$600/year	\$ 3,600
• Executive suite	11	\$1,500/year	\$ 16,500
4. Special Projects			
• Internal resources	0	\$50/hour (based on actual charges)	\$ 0
• External resources	0	Labour & material	
TOTAL FACILITIES COST			\$ 98,722

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Schedule 2 Notes

HOHI Facilities Management Service Agreement

1. **Operations and Office Services** – includes provision of heating, ventilation, air conditioning, snow shoveling, grass cutting, building maintenance services, building and office security, and property administration services charged on a square foot basis, depending on type of premise: warehouse, office, station, and location.
2. **Workspace Provisioning** - includes moves, additions and changes,(MACS) including contractor management and coordination of phone and computer installation; MACs are charged by person move, depending on whether or not furniture/suite is being assembled, or moved.(\$800 with furniture; \$400 without).
3. **Furniture Rental** – includes annual cost per workstation for office furniture and equipment, based on the following costs:
 - Standard workstation \$6000 depreciated over 10 years
 - Manager and Executive suite \$15,000, depreciated over 10 years
4. **Special Projects** includes – needs analysis, or other facilities consulting services; special conference room arrangements; special events set up and tear-down; provision of temporary work stations; and Facilities asset repairs due to damage caused by the customer. (There will be 2 types of charges for special projects: internal labour @ \$50/hour, plus materials; and external labour, plus materials)

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**SCHEDULE 3
FACILITIES MANAGEMENT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all addresses @hydroottawa.com)</i>
Facilities Department			
Facilities Help Desk	613-738-5499 Ext. 7438 F: 613-738-5475	N/A	FacilitiesHelpDesk@
Doug Shannon Director, Finance	613-738-5499 x 234	613-282-4057	dougshannon@
Peter Leonard Manager, Facilities	613-738-5499 x 206 F: 613-738-6420	613-913-5061	peterleonard@
Joey St. Jacques Supervisor, Facilities	613-738-5499 Ext. 161 F: 613-738-5475	613-229-3585	joeystjacques@
Hydro Ottawa Holding Inc.			
Wojo Zielonka Chief Financial Officer	613-738-5499 Ext. 205 F: 613-738-6402		wojozielonka@
Patricia Sheridan Director, Financial Reporting	613-738-5499 Ext. 7479 F: 613-738-6402		patriciasheridan@

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2007 HOHI SLA Backup Information:

HOHI Sq Ft Calculation:

Main area, 2005	2,716
Less common area	(700)
Built on offices - Rowe, Sutton, Sheridan	771
Rosemarie's Office	298
Rosemarie's meeting room	191
Leanne's workstation	153
Tina's Office	254
Pierre Richards Office	167
Lynne Anderson	-
Lyne Parent-Garvey	(255)
Board Room x 50%	388
Ontario Room x 50%	156
	<u>4,138</u> sq. ft.

HOHI Rent Calculation:

Base Rent (research done by Colliers)	\$ 10.00 per sq ft.
Operating Costs \$1.8M / 201 sq. ft.	\$ 9.00 per sq ft.
Total Rent	<u>\$ 19.00</u> per sq ft.

Total Rent:

\$ 78,622

Note:

1.) Calculation is based on a Double Net Lease

A double net lease is a net lease where the tenant agrees to pay a monthly lump sum base rent as well as the property taxes and the property insurance. The landlord is responsible for all other operating expenses of the premises.

2.) HOHI is paying for 50% of the Board Room and Ontario Room.

3.) Excluded Lyne Parent-Garvey and Lynne Anderson from the square footage calculation.

4.) Washrooms and hallway are part of the common area.

**Service Level Agreement
between
Hydro Ottawa Limited – IT
and
Hydro Ottawa Holding Inc
for**

***Information Technology Services*
SLA #HOHI2007-01**

1.0 PURPOSE STATEMENT

This Service Level Agreement (SLA) outlines the Information Technology Services to be provided by Hydro Ottawa Limited – Information Services & Technology (IT) to Hydro Ottawa Holding, Inc. (HOHI).

Services covered under this agreement include IT Help Desk, Technical Support, Network Management Services, Telecommunications Support Services, and Applications Support Services.

The purpose of this agreement is to document and confirm commitment to services to be provided; responsibilities of service user and service provider; and service levels and measures.

Schedule 1 will be augmented with relevant policies and processes throughout the duration of this Service Agreement. Schedule 2 includes the estimated cost of services for 2007. Schedule 3 contains a list of key contacts for both IT and HOHI. Schedule 4 provides a description of Severity classifications to classify requests for IT services as well as associated resolution targets.

This SLA will be effective for the period January 1, 2007 – December 31, 2007.

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2.0 BUSINESS ASSUMPTIONS

Policies

Hydro Ottawa Limited, in conjunction with IT, will develop Information Technology policies (Schedule 1). In the interim the following policy statements will apply:

- Data integrity and data security are of utmost importance to the Corporation.
- All use of hardware or software on the Hydro Ottawa Limited system, introduced by HOHI, must be authorized by IT as compliant and compatible with other corporate applications
- IT will manage all outsourcing with respect to services identified in this SLA
- All HOHI staff must keep their files on the network as per the policy and process for Network Storage and Management (Schedule 1)
- Priorities of response for IT will be developed by IT and will include the following criteria: mission critical; nature of problem; availability of alternative; importance to local operations
- IT and HOHI staff must adhere to policies and guidelines defined in the Corporate Code of Conduct
- HOHI will adhere to appropriate policies and guidelines in the same context as a Hydro Ottawa employee.
- IT will charge HOHI for its services at market rates (if available), or full cost, during the term of this agreement

Accountabilities

For the services as documented in Schedule 2:

- IT will set hardware and software standards for voice, data, wireless equipment to be interconnected to the voice/data network, or supported by IT
- IT will provide the IT infrastructure systems and services required for the business continuance needs of HOHI
- IT will provide assistance to HOHI in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process
- HOHI with the assistance of IT, will be accountable for estimating its requirements for IT services during the Annual Business Planning and Budgeting Process
- IT will be responsible for preparing an Annual IT Plan
- IT will be accountable for providing timely, cost effective IT solutions on both planned and emergency basis

Process

Hydro Ottawa Limited, in conjunction with IT will develop Information Technology processes (Schedule 1). In the interim the following process statements will apply:

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- Requests for IT services covered under this agreement will be made to the Help Desk, by phone (ext. 263) or email (ITHelpDesk@hydroottawa.com) during business hours
- For IT emergencies after hours, HOHI will contact personnel as outlined in the After Hours IT Assistance process (Schedule 1)
- New hires which will be coordinated through the Employee Arrival and Exit Process (Schedule 1)
- All requests will be tracked and logged using a problem ticket system
- Help Desk will provide first level of response to Help Desk Requests
- HOHI will obtain IT approval prior to making new connections to Hydro Ottawa Limited's voice/data network

Definitions

- **GroupWare** – includes MS Outlook – e-mail and calendar
- **Desktop applications** - include MS Office – Word, Excel, PowerPoint, and Access
- **Business hours** - Monday to Friday 8:00 a.m. to 4:00 p.m. excluding statutory and civic holidays
- **After hours** – all hours outside Business hours, including statutory and civic holidays
- **Business days** - Monday to Friday excluding statutory and civic holidays
- **Mean Time to Repair (MTTR)** - The average measured unavailable time to restore a network service or device (voice or data) after it is deemed to be unavailable. The MTTR is calculated by taking a monthly average of the measured unavailable time taken to repair all "Work Orders", with the same severity level [based on the agreed upon criteria]. The total measured unavailable time is totaled at the end of each month and divided by the number of times a network service or device (voice or data) is deemed unavailable in that month
- **Mission critical** – Any service or device whose failure will have a significant monetary impact on the user's business
- **Help Desk Request** – A request for support related to Hydro Ottawa approved hardware and/or software, to fix a defect in existing application code or existing service, or a request for support that involves no modifications to an application or existing service. Requests will be identified within 3 categories as follows:
 - **Level 1 Support** – response to basic questions, such as forgotten password, email addresses, login issues
 - **Level 2 Support** – resolution of minor problems, such as walk through instructions for correcting error messages, use of Outlook Calendar
 - **Level 3 Support** – on-site resolution of a hardware or software problem
- **Technical Service Request** – A request for support that is excluded from definition of a Help Desk Request. Example requests are: research into new technology solutions; project management related activities; application development
- **Server applications** – Software applications which reside on the network utilizing a network processor or equipment to support one or more client devices or workstations
- **Database applications** – Software applications using a database, which typically serves multiple users and resides on one or more network servers

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- **Data Network Infrastructure** – All hardware associated with the network topology including local area networks (LAN), wide area networks (WAN), and interfacing to outside networks (i.e. Internet)
- **Data Back-ups** – The removal and off-site storage of data used in the restoration of deleted files, archival of data for business and accounting needs and/or regulations, and for disaster recovery
- **Business continuance** – Ongoing day to day operation of the business
- **Network Security** – Maintenance and prevention activities associated with reliable operation of the network. (Managing the threat of hackers and virus is only one facet of this)
- **Damage** – subjecting an IT asset to careless use, causing excess wear and tear or specific damage
- **Data security** – Managing who has access and what type of access (read, write, delete) to data. (See also Data Back-ups)
- **Enterprise Data Management** – ensuring availability and security of all Corporate data
- **Confidential Information** - All information, whether transmitted orally, electronically or in written form, relating to the business, operations, management, marketing, processes or technology of Hydro Ottawa Limited or Hydro Ottawa Holding Inc, which Hydro Ottawa Limited or Hydro Ottawa Holding Inc, treat as confidential and proprietary.

3.0 IT SERVICES TO BE PROVIDED

General IT Service fee includes:

- Ongoing operation and maintenance of IT and telecommunications infrastructures
 - Maintenance of criteria for systems compatibility and integration
 - Managing system change and configuration
- Acquisition and disposal of related equipment
- Maintenance program for network printers
- Maintenance program for photocopier
- Contingency planning:
 - At least one desk top printer and one network printer will be available at all times
 - Emergency replacement of network printers, in the event that repairs cannot be completed in established service level time requirements
- Network Management services including:
 - Groupware (e-mail; calendar)
 - File Sharing
 - Internet Access
 - Enterprise Data Management
 - Data Security and Back-up for all HOHI systems and files, including network databases

Equipment Rental of:

- PC and peripheral equipment
- Printers
- Photocopiers

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- Wireless equipment (cell phones, pagers, Blackberrys, two-way messaging devices, mobile computing)
- Rental of equipment is for a three (3) year period.

IT Services excludes:

- Telecommunications and software support on any application or equipment not specified and approved by Hydro Ottawa Limited. However, IT will provide “best effort” support for non-standard HOHI software applications
- Training on enterprise wide software which is the responsibility of the user.
- In-depth training on computer, telecommunications and wireless features and capabilities. IT will provide “basic” operating instructions. However, specific, detailed training is the responsibility of the equipment users.
- Development of enhancements to the functionality of software provided.

4.0 PRICING PRINCIPLES

For the period 2007, costs will be estimated, based on current financial information and historical usage patterns. Actual costs will be tracked throughout 2007 and will form the basis of price negotiations for 2008.

Pricing for IT services is as follows:

- 1. General IT Services - A fee will be allocated, determined by estimates of annual requirements, for support of corporate software applications and hardware.*
- 2. Equipment Rental - Annual fee per PC for the cost of PCs and peripheral equipment. Number of PCs to be based on a semi annual review of the peak demand for PCs.*

Schedule 2 details the Service Requirements and Pricing estimates for the duration of this agreement.

5.0 SERVICE LEVELS AND PERFORMANCE MEASURES

<u>SERVICE LEVEL</u>	<u>PERFORMANCE MEASURE</u>
Resolution Time	
IT will implement solutions based on Severity classification. (Schedule 4)	95% of the time
Quality Indicators	
Help Desk will be available Monday to Friday 8:00 a.m. to 4:00 p.m., excluding statutory and civic holidays	98% of the time
IT will be available to provide planned after hours support, upon 2 business days advance request from HOHI	95% of the time
Network Reliability – The Network will be accessible 24 hours a day, 7 days a week, with the exclusion of planned maintenance	98% of the time

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6.0 CONFIDENTIALITY

Confidential Information shall remain the sole and exclusive property of the Disclosing Company. The Receiving Company shall at all times maintain the Confidential Information in strict confidence and shall use the Confidential Information solely for purposes of providing services. In addition, neither company shall publish, reproduce, copy, disseminate or disclose the Confidential Information without the other's prior consent.

7.0 RESPONSIBILITIES OF SERVICE PROVIDER

A list of up to date contacts will be maintained and provided to HOHI - Schedule 3.

ESSENTIAL COMPETENCIES

IT will have the expertise required to support the hardware and software for which it is responsible under this SLA, including project management, management reporting and communications skills, or will acquire these skills as necessary.

TRAINING

IT will be accountable for ensuring that its staff has the necessary skills, knowledge and training to execute the work as outlined in the SLA and to ensure that its staff are trained in aspects of the Affiliate Relationships Code (Section 2.6) pertaining to "Confidentiality of Information".

PRIORITIZATION

Work will be prioritized according to availability of business impact and alternative sources of service.

COST CONTROL

IT will be responsible for ensuring that costs are managed and controlled to the reasonable satisfaction of the customer.

RISK

IT will be responsible for providing remedy in those circumstances where lower service levels within its control cause HOHI demonstrable negative business consequences. Such circumstances will be resolved through the Dispute Resolution Process as defined in this SLA.

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OVERALL RESPONSIBILITIES OF THE SERVICE PROVIDER

- IT will be responsible for providing timely, cost-effective, professional services to HOHI
- IT will provide assistance to HOHI in determining cost, history and drivers that will be used to determine the IT requirements for the Annual Business Planning and Budgeting Process

8.0 RESPONSIBILITIES OF SERVICE USER

PLANNING AND BUDGETING REQUIREMENTS

HOHI will budget for required IT services on an annual basis in consultation with the Director Information Services & Technology. HOHI will provide IT with two (2) weeks notice of request for additions, changes or removal of equipment. IT will respond to each notice with a date when the request can be met within 21 business hours of receiving the notice.

REPORTING REQUIREMENTS

Chief Financial Officer and Chief Information Officer– HOHI will provide the following reports to Director Information Services & Technology, under this SLA:

- IT requirements for the period of this agreement during the Annual Business Planning and Budgeting Process
- Quarterly updates, highlighting any variances to the Annual IT Plan (e.g. 1 more employee, 1 more cell phone)

In addition, a list of up to date contacts will be maintained and provided to Director Information Services & Technology – Schedule 3.

COMMUNICATIONS RESPONSIBILITIES

HOHI will maintain ongoing communication regarding use of IT services and variances from the Annual IT Plan.

ACCESS TO EQUIPMENT

HOHI will provide IT staff with access to IT equipment as required to fulfill operational obligations.

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OVERALL RESPONSIBILITIES OF THE SERVICE USER

- HOHI will be expected to request only those services it requires
- During the Annual Business Planning and Budgeting Process, HOHI, in conjunction with IT, should define ongoing business needs to ensure appropriate service provision. IT will assist HOHI by estimating emergency requirements based on historical data

9.0 RELATED SLAS

The following are additional SLAs that may impact, influence or relate to this SLA:

- HOHI – Facilities Management

10.0 DISPUTE RESOLUTION

If a dispute arises out of or relates to this agreement or subsequent SLA, the parties to the agreement and to the dispute expressly agree to endeavor in good faith to settle the dispute by the following process:

- 1.1 A party claiming that a dispute has arisen must give written notice to the other parties to the dispute specifying the nature of the dispute.
- 1.2 On receipt of the notice specified in (a), the parties to the dispute must within five (5) business days of receipt of said notice seek to resolve the dispute.
- 1.3 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the Chief Operating Officer, Hydro Ottawa Limited.
- 1.4 On receipt of the notice, the Chief Operating Officer, Hydro Ottawa Limited, will seek to resolve the dispute.
- 1.5 If the dispute is not resolved within five (5) business days or within such further period as the parties agree, then the dispute is to be referred to the President and CEO of Hydro Ottawa Holding Inc.

The decision of the President and CEO of Hydro Ottawa Holding Inc. shall be considered final and shall be adhered to by both parties.

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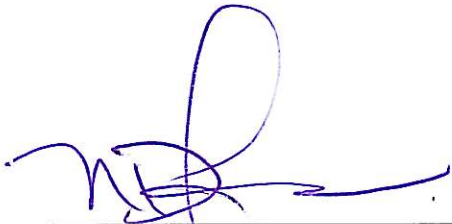
11.0 SIGNATURES

Hydro Ottawa Limited.

 FOR DAVID REEVES

David Reeves
Director Information Services & Technology

Date: 8/27/07



Norm Fraser
Chief Operating Officer

Date: Aug. 24/07

Hydro Ottawa Group of Companies



Wojo Zielonka
Chief Financial Officer and Chief Information Officer

Date: Aug 24, 2007

SLA:	HYDRO OTTAWA GROUP OF COMPANIES – IT SERVICES	SLA Number:	HOGC2007-01
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**SCHEDULE 1
IT SERVICE AGREEMENT
POLICIES AND PROCEDURES**

Hydro Ottawa Ltd.'s policies are published on its Intranet site. The following is a list of policies published as of December 31, 2006. At least once annually, the policies are reviewed and update. Additional policies will be published to meet operational needs as required.

Policy

- IT-000 – Electronic Information Security Policy
- IT-001 - Internet and Email Policy
- IT-002 - Password Policy
- IT-003 - System Account Management
- IT-004 - Technical Standards
- IT-005 - Guidelines for Cell Phone and PDA Assignment
- IT-006 – Data Network Connection Management
- IT-007 - Computer Asset Management
- IT-008 - Guidelines Computer Assignment
- IT-009 - Anti-Virus Software
- IT-010 - Patch Management
- IT-011 - Firewall Management
- IT-012 - Log Retention and Review
- IT-013 – Modem and FAX Security
- IT-014 – Workstation Software Licensing

Procedures

IT procedures, practices and related information are published on the IS&T website. A link to this website, labeled "IS&T", is accessible from the Employee Corner section of the Intranet site.

A partial list follows:

- Data storage and backups
- Employee arrival and exit processes
- Change Management
- Manuals and Quick Guides
- Purchasing and Desktop Asset Management
- Service Model
- After Hours IT Assistance process

Upon request, copies of policies, procedures or other related information will be made available to those requiring assistance accessing this information.

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**SCHEDULE 2
IT SERVICE AGREEMENT
SERVICE REQUIREMENTS AND PRICING – 2007**

	Unit type	Number of units	Cost per unit	Estimated Total Cost
General IT Service fee	Employees / Year	17	\$ 6,620	\$ 112,540
Equipment Rental	PCs	17	\$ 900	\$ 15,300
Estimated Total Cost				\$ 127,840

Notes:

- 1) **General IT Service Fee** - includes charges for telephone, wireless and IT infrastructure (including new PC and peripheral equipment acquisition, installation and set-up and new telephone installation and set-up. Does not include capital acquisition of PC equipment and peripherals), asset management, network management, Level 1 and Level 2 Help Desk Support, email, internet access, data security and back- up, and enterprise wide software. The Connection fee includes cost for OM&A services and depreciation. Includes the charges for licenses, maintenance, external technical support, coordination of training on new corporate software and internal technical support for JD Edwards. The fee is allocated on a per employee connection basis. The fee does not include costs for items that are leased by or on behalf of Hydro Ottawa Holding Inc nor does it include consumables. These items are charged back separately, on an individual basis.

- 2) **Equipment Rental** - includes annual cost for PC equipment and peripherals. The estimated quantity is based on a semi annual review of the peak demand for PCs. The Unit cost is based on an average cost of \$4500, depreciated over 5 years.

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**SCHEDULE 3
IT SERVICE AGREEMENT
KEY CONTACTS**

<u>NAME / TITLE</u>	<u>TELEPHONE / FAX NUMBERS</u>	<u>CELL NUMBER</u>	<u>E-MAIL ADDRESS</u> <i>(all addresses @hydroottawa.com)</i>
Hydro Ottawa Limited Information Technology Department			
David Reeves Director, IS&T	P: 613-738-5499 Ext. 329	613-282-2474	davidreeves@
IT Helpdesk	P: 613-738-5499 Ext. 263 F: 613-738-5485	n/a	ITHelpDesk@
Rory Dowler Supervisor – Infrastructure Support	P: 613-738-5499 Ext. 265 F: 613-738-5485	613-282-0798	rorydowler@
Dave Power Manager – Business Applications and Support	P: 613-738-5499 Ext. 7472 F: 613-738-5485	613-282-3283	davepower@
Frank Lahaie Business Services Analyst	P: 613-738-5499 Ext. 7629 F: 613-738-5485	613-277-8996	franklahaie@
Hydro Ottawa Group of Companies			
Wojo Zielonka Chief Financial Officer and Chief Information Officer	P: 613-738-6402 Ext. 205 F: 613- 738-6402		wojozielonka@
Patricia Sheridan Director, Corporate Finance	P: 738-6402 Ext. 7479 F: 613-738-6402		patriciasheridan@

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SCHEDULE 4 SEVERITY CLASSIFICATION

The following is extracted from IS&T document IT-I-005, *Prioritization Criteria* which is accessible through the IS&T website.

Basic description

A Severity code indicates the seriousness of an Incident expressed by its effect on normal business activity. Classifying which Incidents need to be resolved is dependent upon the:

1. impact on the business
2. urgency to the business
3. size, scope and complexity of the Incident
4. users ability for coping in the meantime and for correcting the fault (workarounds)

Specific Severity descriptions

Severity 1. The problem causes complete loss of service. Work cannot reasonably continue, the operation is mission critical to the business and the situation is an emergency.

Severity 2. The problem causes a severe loss of service. No acceptable workaround is available; however, operation can continue in a restricted fashion.

Severity 3. The problem causes minor loss of service. The impact is an inconvenience, which may require a workaround to restore functionality.

Severity 4. The problem causes no loss of service. The result is a minor error, incorrect behavior, documentation error that does not impede the operation of a system, request to clarify the function of a service or the request for a new service.

Service interruptions will generally receive a Severity classification of 1, 2 or 3 and requests for new services would be classified as Severity 4.

Resolution targets

Classification	General Name	Resolution target
Severity 1	Critical	1 Business Day
Severity 2	High	3 Business Days
Severity 3	Medium	7 Business Days
Severity 4	On-going	On-going (Target defined with user)

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1 **PLANNED CHANGES IN CORPORATE OR OPERATIONAL STRUCTURE**

2

3 Hydro Ottawa underwent an organizational restructuring in December 2006. With this
4 restructuring, the Vice-President positions were eliminated and changes were made to
5 the Director positions; refer to Exhibit A1-7-2. Furthermore, certain strategic planning
6 functions became centralized within the Holding Company. In 2007 some minor changes
7 have been made to finalize the organizational restructuring. At present, no material
8 changes to the corporate or operational structure of Hydro Ottawa are planned in 2008.



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STATUS OF BOARD DIRECTIVES


In the Board's Decision with Reasons dated April 12, 2006 on Hydro Ottawa's 2006 EDR Application, the Board directed Hydro Ottawa to file a plan within 90 days of the Decision to reduce its line losses by at least 5%. Hydro Ottawa filed the required report on July 11, 2006 and a copy is provided in Exhibit D1-8- 2. An update of the plan is provided in Exhibit D1-8-3.



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CONDITIONS OF SERVICE

Hydro Ottawa's current Conditions of Service, dated April 26, 2007 is attached. It became effective on May 15, 2007. Hydro Ottawa is not proposing any changes to the Conditions of Service as part of this 2008 Electricity Distribution Rates Application.

	TITLE:	
	Electrical Customer Specification	
	RECOMMENDED: B. Bennett	NO:
APPROVED: N. Fraser	ECS0012	2.0
REV. DATE: 2007-04-26		

HYDRO OTTAWA LIMITED

CONDITIONS OF SERVICE

Effective May 15, 2007

See Hydro Ottawa's website for the
most current version at: www.hydroottawa.com

An unofficial version of this document is available in French.

REVISION SHEET

Revision	Description	Date	Initial
N/C	Original Document and amalgamation	2000-11-01	pjs/lv
1.09a	Major revision, BoD approval, and the first OEB filing	2002-05-30	df/csm
2.0	Major Revisions See ECR0012 R2.0 for details	2007-04-26	mdf/csm ra/le

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SECTION 1: INTRODUCTION

NOTE: A glossary of terms used in this document is available in [Section 4](#) and should be referenced to ensure context. For example, note the distinction between "Customer" and "Consumer". Customer, as used in this document, is interchangeable with an owner, developer, or generator.

1.1 Identification of Distributor, Service Area, and Servicing Obligations

Hydro Ottawa Limited, referred to herein as “Hydro Ottawa,” is a corporation under the laws of the Province of Ontario and a distributor of electricity.

Hydro Ottawa is licensed by the [Ontario Energy Board \(OEB\)](#) to supply electricity to Customers as described in the [Electricity Distribution License ED-2002-0556](#) issued to Hydro Ottawa on June 9, 2003, by the OEB and expiring on March 31, 2023. Additionally, there are requirements imposed on Hydro Ottawa by the various codes referred to in the [License](#), [The Electricity Act, 1998](#), and the [Ontario Energy Board Act, 1998](#).

Hydro Ottawa has the mandate to operate distribution facilities within its licensed area as defined in its distribution license. The defined area is the former municipalities of Ottawa, Vanier, Nepean, Gloucester, and Kanata, plus the Township of Goulbourn, the Village of Casselman (County of Russell), the Village of Rockcliffe Park, and the portion of the former township of Rideau on Long Island, north of Bridge Street. This service area is subject to change with the OEB’s approval.

Nothing contained in these Conditions or in any contract for the supply of electricity by Hydro Ottawa shall prejudice or affect any rights, privileges, or powers vested in Hydro Ottawa by law under any Act of the Legislature of Ontario or the Parliament of Canada, or any regulations thereunder.

Under the terms of its distribution licence, Hydro Ottawa has the obligation to either connect or to make an offer to connect any Customer within its licensed service area. One electrical service at a nominal service voltage is provided to each Customer’s location (premise).

In the case of multi-tenant buildings with bulk consumption metering, the Customer shall pay the total cost of electrical supply. [The Electricity Act, 1998](#), prohibits a Customer from redistributing electricity from Hydro Ottawa unless licensed by the OEB or subject to the [O.Reg. 161/99 “Definitions and Exemptions.”](#)

Prior to commencing any service work, the Customer must consult with Hydro Ottawa to ensure compliance with current requirements.

The Customer or its authorized representative must apply for new, upgraded, or temporary electric services in writing. The Customer shall provide Hydro Ottawa sufficient lead-time to ensure:

- a) The timely provision of supply to new, upgraded, or temporary electrical services; or
- b) The availability of adequate capacity for additional loads to be connected in existing premises.

The Customer or its authorized representative shall consult with Hydro Ottawa concerning the availability and the voltage of supply, service location, metering and any other details. These requirements are separate from and additional to those of the Electrical Safety Authority (ESA). Hydro Ottawa will confirm, in writing, the characteristics of electric supply available at a specific site.

Extended lead times may be required if special equipment is needed or equipment delivery problems occur. Hydro Ottawa will notify the Customer of any extended lead times.

Customers may be required to pay capital contributions for new and altered electrical services in accordance with calculations used in assessing the cost impact on the overall system. Customers shall also pay the cost of repair or replacement of Hydro Ottawa's equipment damaged through their action or neglect.

Additional to any other requirements in these Conditions, the supply of electricity is conditional upon Hydro Ottawa being permitted and able to provide such a supply, obtain the necessary apparatus and material, and constructing works to provide the service. Should Hydro Ottawa not be permitted or able to do so, it is under no responsibility to the Customer whatsoever and the Customer releases Hydro Ottawa from any liability in respect thereto.

1.2 Related Acts, Regulations, Licenses, and Codes

The supply of electricity or related services by Hydro Ottawa to any Customer or Consumer shall be subject to the various laws, regulations, and codes, including yet, not limited to the provisions of the latest editions of the following acts, regulations, licenses, and codes that are more specific to the electricity sector:

1. [*Electricity and Gas Inspection Act*](#)
2. [*The Electricity Act, 1998*](#)
3. [*Ontario Energy Board \(OEB\) Act*](#)
4. [*The Ministry of Labour's Occupational Health and Safety Act*](#)
5. [*Ontario Electrical Distribution Safety Code \(Ontario Regulation 22/04\)*](#)
6. [*Hydro Ottawa's Distribution License*](#)
7. [*Affiliate Relationships Code*](#)
8. [*Distribution System Code*](#)
9. [*Transmission System Code*](#)
10. [*Retail Settlements Code*](#)
11. [*Standard Service Supply Code*](#)

In the event of a conflict between a clause or sub-clause in this document and a related clause or sub-clause in the Distribution License or regulatory codes issued by the OEB, the

related clause or sub-clause of *The Electricity Act, 1998, (the Act)* or the [Ontario Energy Board Act, 1998](#) (the “Act”), the provisions of the Acts, the Distribution License and associated regulatory codes shall prevail in the order of priority indicated above. If there is a conflict between a connection agreement with a Customer and this Conditions of Service, this Conditions of Service shall govern.

When planning and designing for electricity service, Customers and their agents must refer to Hydro Ottawa’s Conditions of Service, all applicable provincial and Canadian electrical codes, and all other applicable federal, provincial, and municipal laws, regulations, codes and by-laws to ensure compliance with their requirements. The work shall be conducted in accordance with the [Ontario Occupational Health and Safety Act \(OHS\)](#), the regulations for Construction Projects, the Electrical & Utilities Safety Association of Ontario (E&USA) Electrical Utility Safety Rules, and traffic requirements.

1.3 Interpretation

In these Conditions, unless the context otherwise requires:

- Headings, paragraph numbers and underlining are for convenience only and do not affect the interpretation of these Conditions;
- Words referring to the singular include the plural and vice versa;
- Words referring to a gender include any gender.

1.4 Amendments and Changes

This document, including the appendices, constitutes the Hydro Ottawa Conditions of Service document and thus Hydro Ottawa’s policy. For ease of electronic retrieval or printing, certain sections, particularly large sub-documents, forms, or special interest sections, may be separated into their own file. Changes to the following sections will be kept current as required:

- [Appendix A: Load Summary Form](#)
- [Appendix E: Contracts and Applications for connecting a generator to the local distribution system \(application only\)](#)
- [Appendix H: Rate Schedule](#) (as approved by the Regulator)
- [Hydro Ottawa design standards and specifications](#).

The provisions of this Conditions of Service document and any amendments made from time-to-time form part of any contract made between Hydro Ottawa and any connected Customer, Consumer, Retailer, or Generator or their agents. This Conditions of Service supersedes all previous Conditions of Service, oral or written, of Hydro Ottawa including any of its predecessor municipal electric utilities as of its effective date.

In the event of content changes to this Conditions of Service, Hydro Ottawa will provide advance notice with the Consumer's bill.

It is the individual's responsibility to contact Hydro Ottawa to ensure that they have or get the current version of the Conditions of Service. One copy per revision of the Conditions of Service will be provided to each person that requires it. Hydro Ottawa may charge a reasonable fee for providing the Customer with additional copies of this document. The current version of this document is available on the Hydro Ottawa website (see [Section 1.5](#)).

1.5 Contact Information

Hydro Ottawa's regular business hours are 8:00 am to 4:00 pm, excluding holidays (see Glossary for definition), unless otherwise specified.

Customers may contact Hydro Ottawa using one of the following methods:

- **Telephone:**
 - For general inquiries, Hydro Ottawa may be contacted at (613) 738-6400. Our Customer Contact Centre telephone hours are 8:00 am to 8:00 pm, excluding holidays.
 - For power outages, inquiries should be directed to (613) 738-0188, 24-hours per day, 365 days per year.
 - For a new or an upgraded electrical service, tree trimming or demolition, inquiries may be made by contacting, the Service Desk at (613) 738-6400, between 8:00 AM and 3:30 PM, excluding holidays.
 - For primary maintenance shutdown or vault access, Operations Planning may be contacted at (613) 738-6400, extension 7185.
- **Fax:** The main number is (613) 738-6403. The Service Desk number is 613-221-5977.
- **Online:** <http://www.hydroottawa.com> for details on Hydro Ottawa, the Conditions of Service document plus referenced appendices and standards, and to use the "feedback" form, or service e-mails or applications.
- **Mail:** Hydro Ottawa Limited, P.O.Box 8700, 3025 Albion Road North, Ottawa, Ontario, Canada K1G 3S4
- **Courier:** Hydro Ottawa Limited, 3025 Albion Road North, Ottawa, Ontario, Canada K1V 9V9

1.6 Customer Rights and Responsibilities

The Customer has the right to have a property, generator or other load as described in this document, connected to the distribution system in the licensed service area if:

- a) The property, generation or other load, lies along any of the lines of Hydro Ottawa's distribution system;
- b) The Customer, occupant or other person in charge of the premise requests connection in writing;
- c) The Customer requests Hydro Ottawa to provide an Offer to Connect the property, generation or other load, that does not lie along any of the lines of Hydro Ottawa's distribution system (see [Section 2.1.1 "Property that Lies Along."](#))

The Customer has the right to have their electric service isolated, for the purpose of maintenance of the service, through a written request with sufficient notice, stating both the date and time the service is to be isolated.

The Customer is responsible for maintenance and repair of their electrical service equipment. Should any component require replacement or repair, the new equipment or repair must comply with all current codes, regulations, legislations, and specifications.

The Customer and Consumer are responsible for ensuring that installation or alteration of an electrical service or generation equipment connected to Hydro Ottawa's system is communicated to Hydro Ottawa and approved in writing prior to starting the work.

The Customer and Consumer are responsible for providing unimpeded, safe and secure access to Hydro Ottawa's employees or its contractors to its distribution assets at all times (see [Section 3.0.4](#)).

1.7 Distributor Rights

Hydro Ottawa has the sole right to set standards, specifications and designs for its distribution system.

Hydro Ottawa has the right to enforce this Conditions of Service document.

1.8 Disputes or Complaints

Any dispute between Consumers, Customers, or Retailers and Hydro Ottawa shall be settled according to the dispute resolution process specified in Section 16 of the [Distribution License ED-2002-0556](#).

Hydro Ottawa shall keep records of all complaints, including the complainant's name, the nature of the dispute, the resolution or escalation date, and the dispute resolution result or status.

1.8.1 Customer, Consumer, Retailer, or Generator or their agents

The Customer, Consumer, Retailer, or Generator or their agents shall submit their disputes to

Hydro Ottawa in writing via facsimile, email, or mail.

Each inquiry shall be date stamped and recorded by Hydro Ottawa.

Hydro Ottawa shall investigate the cause of the complaint and attempt in good faith to resolve the dispute within 10-business days of receipt.

Disputes that are expected to exceed 10-business days will normally be resolved within 30-business days of receipt. Consumers will be advised within 10-business days of receipt, of the delay and reasons thereof.

Upon mutual agreement and under unusual circumstances, the resolution period may be extended.

Any disputes that lead to legal action against the corporation shall be referred to Hydro Ottawa's legal department.

Unsolved disputes shall be referred to a third party (the OEB or an OEB approved agency) for resolution.

1.8.2 Retailer

Disputes between Hydro Ottawa and Retailers shall be settled per the [OEB Retail Settlement Code, Appendix C – Service Agreement, Article 6](#).

SECTION 2: DISTRIBUTION ACTIVITIES (COMMON TO ALL CUSTOMER CLASSES)

2.1 Connection

Under the terms of its distribution licence, Hydro Ottawa has the obligation to connect any Customer that lies along its distribution lines or make an offer to connect any Customer within its service area.

Items that are applicable to a specific Customer class are covered in [Section 3](#).

2.1.1 Property that Lies Along

For the purpose of these Conditions, “lies along” means a Customer property or parcel of land that is directly adjacent to or abuts onto the public road allowance or easement where Hydro Ottawa has distribution facilities of the appropriate voltage and capacity.

Under the terms of the Section 28 of [the Electricity Act](#), Hydro Ottawa has the obligation to connect a property or facility that lies along its distribution lines provided:

- The property or facility can be connected without expanding the distribution system.
- The Customer, occupant or other person in charge of the property or facility requests connection in writing.
- The service installation meets the conditions listed in Hydro Ottawa’s Conditions of Service.

A property or facility that lies along a distribution line may be refused connection to that line should the distribution line not have sufficient capacity for the requested connection or in the opinion of Hydro Ottawa the connection to the distribution line would be considered unsafe. In cases of insufficient capacity, Hydro Ottawa will provide alternate supply options to the Customer.

For both primary and secondary services Hydro Ottawa will designate one supply point. This could be an underground cable chamber, pole, or pad-mounted device. This supply location could also be located on an adjacent property for which Hydro Ottawa has an authorized easement. In all cases the final supply point will be the decision of Hydro Ottawa.

2.1.2 Expansions and Offer to Connect

For customers within Hydro Ottawa’s service area that do not lie along a distribution line, Hydro Ottawa will provide an offer to connect. The Customer is required to pay a contribution towards the system expansion or enhancement to supply their load. This is

referred to as a capital contribution. A credit will be allowed which will offset the cost in whole or in part based on an economic evaluation (for details see [Appendix B](#)). The economic evaluation, based on Hydro Ottawa's forecast of the Customer's load, will determine whether the future net revenue to Hydro Ottawa will pay for the capital and ongoing maintenance costs of the expansion project. The cost will include both the expansion of the system attributable directly to the Customer's project and the cost for the general enhancement of the system to supply the ongoing load increases created by development.

If the customer is required to pay a capital contribution, portions of the work are open to an alternate bid process. Under the alternate bid, the customer can undertake to do those portions of the expansion construction work on the customer's property that do not involve existing Hydro Ottawa distribution assets. Upon completion and acceptance of the work, Hydro Ottawa will assume ownership of the installed distribution plant and be responsible for the maintenance and reliability of the system. During the alternate bid warranty period, the Customer shall cover all costs for repairs to Hydro Ottawa standard. Should the repair cost exceed the security deposit held for alternate bid work, the Customer shall pay any outstanding amount. As such, the Customer will use only a Hydro Ottawa qualified contractor to do the work, and Hydro Ottawa will carry out planning, design and verification to ensure that the installed system meets Hydro Ottawa standards.

In the offer to connect, Hydro Ottawa will detail the scope of the work, the portion eligible for alternative bid, and the requirements if a Customer wishes to proceed with an alternate bid.

2.1.3 Connection Denial

The [Distribution System Code](#) provides for the ability of a distributor to deny connections. Hydro Ottawa is not obligated to connect a Customer within its service area if the connection would result in any of the following:

- Contravention of existing laws of Canada, the Province of Ontario, municipal bylaws and the Ontario Electrical Safety Code.
- Violations of conditions in Hydro Ottawa's license.
- Use of a Hydro Ottawa distribution system for a purpose that it does not serve and that Hydro Ottawa does not intend it to serve.
- Adverse effect on the reliability or safety of Hydro Ottawa's distribution system as determined by Hydro Ottawa.
- Public safety reasons or imposition of an unsafe work situation beyond normal risks inherent in the operation of Hydro Ottawa's distribution system, as determined by Hydro Ottawa.
- A material decrease in the efficiency of Hydro Ottawa's distribution system.

- A materially adverse effect on the quality of distribution services received by an existing connection.
- Discriminatory access to distribution services.
- If the person requesting the connection is in arrears to Hydro Ottawa, for regulated services.
- Violation of any conditions documented in the Hydro Ottawa Conditions of Service document.
- If an electrical connection to Hydro Ottawa's distribution system does not meet Hydro Ottawa's design requirements.
- Where Hydro Ottawa does not have clear land rights (such as public road allowance or easements) to service the property.

2.1.4 Inspections Before Connections

All Customer electrical installations, i.e. service entrance equipment and metering provisions (see Hydro Ottawa Metering Requirements [GCS0008](#)), must meet Hydro Ottawa's specifications and shall also be inspected and approved by the Electrical Safety Authority (ESA) and Hydro Ottawa. Hydro Ottawa requires notification from the ESA of this approval prior to the energization of a Customer's supply of electricity.

Services that have been disconnected for the purposes of upgrade or change, services that have been altered subsequent to ESA approval, and services that have been disconnected for a period of six months or longer must also be re-inspected and approved by the ESA, prior to reconnection.

Customer owned substations must be inspected and approved by both the ESA and Hydro Ottawa, before Hydro Ottawa makes connection to the distribution network.

Duct banks shall be inspected and approved by Hydro Ottawa prior to the pouring of concrete and again before backfilling. The completed ducts must be cleared of obstructions by the site contractor in the presence of a Hydro Ottawa inspector and shall be clear of all extraneous material. A mandrel, approved by Hydro Ottawa for a nominal diameter of duct, will be passed through each duct. In the event of a blocked duct, the Customer will be responsible for clearing the duct prior to installing the cable. Only Hydro Ottawa shall complete the connection to existing concrete duct banks or underground cable chamber. All work on existing distribution plant shall only be conducted by Hydro Ottawa.

Transformer vaults and bases shall be inspected and approved by Hydro Ottawa prior to the installation of equipment.

2.1.5 Relocation of Plant and Overhead to Underground Conversion

Hydro Ottawa's standard construction for main distribution on or crossing municipal arterials, major collectors, highways, rivers, railways, open fields, rural areas and business parks, excluding greenfield residential, is overhead distribution.

Where overhead distribution lines exist, activity involving equipment or personnel, within three meters (3m) of the Hydro Ottawa primary voltage distribution lines may only be undertaken by a Hydro Ottawa qualified contractor. This condition is compliant with the Ministry of Labour's Occupational Health & Safety Act. Also, development of permanent structures within the "restricted zone" surrounding overhead primary voltage lines is prohibited. This zone is defined by Hydro Ottawa's [OLS0002](#) clearance standard: around the closest primary conductor, a vertical five-meter (5m) radial distance overlapping a horizontal two-meters (2m) radial distance (accounting for a future overhead transformer). This offset standard complies with the requirements of the [Ministry of Labour's Occupational Health & Safety Act](#) and the [Ontario Electrical Safety Code](#) that strictly prohibit any work activity within 3m (plus conductor swing – the side-to-side, up-down conductor movement) of primary voltage lines with a resultant clearance of five metres for construction and future maintenance of the building.

When requested to relocate like-for-like distribution plant, Hydro Ottawa will exercise its rights and discharge its obligations in accordance with existing acts, by-laws and regulations including the [Public Service Works on Highways Act](#) (Ministry of Transportation, Ontario, [MTO] clarification guideline) for road authorities, formal agreements, easements and law. In the absence of existing agreements, Hydro Ottawa is not obligated to relocate the plant.

If a Customer requests the relocation of Hydro Ottawa plant, Hydro Ottawa will, if possible, accommodate such a request if it will not result in degradation to system reliability.

Underground electrical system installation is an option, provided sufficient utility space is available, associated land rights are granted and the requestor pays for the associated cost.

All costs associated with the relocation, or conversion from overhead to underground shall be borne by the requestor unless an existing agreement is in place. Where such relocation of Hydro Ottawa plant will require replacement facilities on lands not owned by the requestor, it shall be the responsibility of the requestor to complete negotiations with the landowner over whose lands the new facilities will reside, to the satisfaction of, and at no cost, to Hydro Ottawa.

2.1.6 Easements

The Customer shall grant, at no cost to Hydro Ottawa, easements as required to permit installation, operation, and maintenance of distribution plant. Hydro Ottawa shall determine the width and extent of the easement. The easement shall be registered on title prior to energizing of the service, re-arrangement and/or relocation of distribution plant.

When a property owner severs a property that prevents Hydro Ottawa from servicing its'

Customer(s) with clear access, the property owner will pay Hydro Ottawa for any required land right access (aerial or terrestrial) or will pay to relocate Hydro Ottawa's system so it may continue unobstructed service to its Customer(s).

Service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion, by the Customer, of an easement or written consent from the property owner(s) involved.

When Hydro Ottawa must enter an easement for operation or maintenance and the written easement remains silent about re-instatement, Hydro Ottawa will only re-instate with sand, gravel, and/or soil.

When a radial line only feeds one customer on a property, Hydro Ottawa shall remove its easements and transfer the line ownership to the customer in accordance with [O.Reg. 22/04](#) requirements.

2.1.7 Contracts

2.1.7.1 *Contract for New or Upgraded Service*

Hydro Ottawa requires all primary service Customers and developers to sign an "Installation and Maintenance Agreement" upon application for the provision of connection to our distribution system. Upon the completion of a signed "Installation and Maintenance Agreement", receipt of any applicable connection charges, and approval by the [Electrical Safety Authority \(ESA\)](#), Hydro Ottawa will connect the new or upgraded service (See [Appendix C](#) for sample agreement).

All other Consumers or Customers will not normally be required to sign a standard application and contract for electrical service, as in such circumstances the contract shall be implied. However Hydro Ottawa reserves the right, and shall exercise such at Hydro Ottawa's discretion, to require any Customer or Consumer regardless of rate class, to sign a standard application and contract for electrical service, prior to any connection or delivery of electrical service.

2.1.7.2 *Implied Contract*

In all cases, notwithstanding the absence of a written contract, Hydro Ottawa has an implied contract with any Customer or Consumer that is connected to Hydro Ottawa's distribution system and receives distribution services or uses electrical energy from Hydro Ottawa. The terms of the implied contract are embedded in Hydro Ottawa's Conditions of Service, the [Rate Handbook](#), Hydro Ottawa's Rate Orders, [Hydro Ottawa's license](#), the [Distribution System Code](#), the [Standard Supply Service Code](#) and the [Retail Settlement Code](#), all as amended from time-to-time.

The use of Hydro Ottawa's distribution system by any person or persons constitutes acceptance of a binding contract with Hydro Ottawa. The person so accepting the supply of electricity or related services shall be liable for, and such contract shall be binding upon such

person's heirs, administrators, executors, successors or assigns.

2.1.7.3 Special Contracts

Special contracts that are customized in accordance with the service requested by the Customer normally include, but are not necessarily limited to, the following examples:

- Non-standard operating and maintenance
- Generation
- Support Structure Access (such as poles)
- Un-metered services

2.1.7.4 Payment by Premise Owner

The premise owner, known as the Customer, is responsible for all electricity costs not specifically metered to individual Consumers within the premise, for example, the most common of which are dry core transformer losses, and common element electrical loads.

Also, per [Section 2.1.7.5](#), the known premise owner shall be responsible for the electricity usage should Hydro Ottawa not receive a request to open an account in the name of the premise's occupant.

2.1.7.5 Opening and Closing of Accounts

A Customer or Consumer should provide a minimum of 10-business days notice when opening a new account or closing an existing account.

A Customer or Consumer who wishes to open an account for the supply of electricity by Hydro Ottawa shall contact Hydro Ottawa's Customer Care Centre by phone, by written request (facsimile accepted), or through Hydro Ottawa's website or other means acceptable to Hydro Ottawa.

Hydro Ottawa may ask the Customer or Consumer for information including, but limited to: name, address and phone number, Drivers License, date of birth, mother's maiden name and email address.

In the event that the account change is received without sufficient notice, the Customer or Consumer shall be responsible for payment to Hydro Ottawa for the supply of electricity to the property up to the date Hydro Ottawa is notified of the termination of the account.

If Hydro Ottawa has not received a request to open an account in the name of the premise's occupant, or in the event a person(s) un-identified to Hydro Ottawa uses the electricity, then the cost of electricity consumed by such person(s) is due and payable by the owner(s) of such premise, until notice is received. In cases where the identity of the owner is not known, Hydro Ottawa shall proceed to disconnect the service, per [Section 2.2](#), until someone contacts Hydro Ottawa to assume responsibility for the electricity account. A fee to reconnect the service applies per [Appendix H](#).

2.2 Disconnection

2.2.1 Hydro Ottawa Initiated

Hydro Ottawa reserves the right to disconnect or refuse to connect a Customer or Consumer at any time, year round, for the following reasons per the [Distribution System Code](#), Section 3.1.1, yet, not limited to:

- Contravention of existing laws of Canada, the Province of Ontario, and municipal bylaws;
- Adverse affect on the reliability or safety of Hydro Ottawa’s distribution;
- Unauthorized generation;
- A material decrease in the efficiency of Hydro Ottawa’s distribution system;
- A materially adverse effect on the quality of distribution services received by an existing connection;
- Failure of the Customer to comply with a directive of Hydro Ottawa made for meeting its license obligations;
- Overdue amounts for regulated services, including non-payment of account security deposit, in part or in full, payable to Hydro Ottawa;
- When the Customers or Consumers responsible for electricity usage at the premise has not been identified to Hydro Ottawa with name and other pertinent information;
- Hazardous conditions (as per the [Electricity Act, Section 31.1](#) or as amended from time-to-time);
- Electrical disturbance propagation caused by Customer equipment that is not corrected in a timely fashion;
- Energy diversion, fraud or abuse on the part of the Customer;
- Inaccessibility to Hydro Ottawa equipment for either: installing, inspecting, operating, replacing, removing, or maintaining, including reading the meter;
- When ordered by law or order issued by the Electrical Safety Authority; or
- When the requirements of Hydro Ottawa’s Conditions of Service are not satisfied.

Hydro Ottawa may also disconnect the supply of electricity to a Customer without notice in accordance with a court order, in an emergency, or for safety or system reliability reasons.

2.2.2 Customer Initiated

Customer initiated requests for disconnection for the purpose of performing work on or near electrical apparatus and the subsequent reconnection is referred to as “isolation / re-energization.”

Before isolating, Hydro Ottawa may request evidence of prior occupant notification outlining, as a minimum, the date and time of isolation, alternate date of isolation should the need arise, intent of the isolation, and expected date and time of re-energization. Hydro Ottawa may refuse to isolate an owner’s premise until the customer has served notice of the pending isolation to Hydro Ottawa Consumers located within the subject premise. The

owner, before isolation, must also pay for the cost of the isolation and re-energization as outlined in [Appendix G](#).

2.2.3 Disconnection for Non-payment of Overdue Amounts

Immediately following the due date, Hydro Ottawa will take action to collect the full amount of the electricity bill, which will now be considered overdue. Hydro Ottawa shall provide no less than seven (7) calendar days notice before disconnecting for non-payment. Disconnection Notices shall be in writing and, if given by mail, shall be deemed to have been received on the third business day after mailing. The electric service will not be restored until payment arrangements, satisfactory to Hydro Ottawa, have been made including the cost of reconnection, per Section 31 of [the Electricity Act, 1998](#).

At the time of disconnection, all related safety notices issued by public safety authorities shall be included with any notice of disconnection left at the Consumer's property, per Section 4.2.1.2 of the [Distribution System Code](#). Discontinuance of service for non-payment does not relieve the Consumer of the liability for arrears or other applicable charges for the balance of the term of contract, nor shall Hydro Ottawa be liable for any damage to the Consumer's and/or Customer's premises resulting from such discontinuance of service.

2.2.4 Service Expiry

Services that are disconnected for non-payment and remain disconnected for six months or more may have the associated distribution services physically removed, in the absence of notification otherwise. Subsequent requests for service shall be provided according to [Section 2.1 "Connection"](#) of the most current Conditions of Service.

2.3 Conveyance of Electricity

2.3.1 Limitations on the Guarantee of Supply

Hydro Ottawa will endeavour to supply its Customers with uninterrupted power at one of the standard voltage offerings to within our voltage guidelines (see Sections [2.3.4](#) and [2.3.5](#)).

Hydro Ottawa does not guarantee a constant power supply or assurance that voltages and frequency will be unvaried. Furthermore, Hydro Ottawa will not be liable for damages to the Customer's or Consumer's equipment by reason of any failure in respect thereof.

Hydro Ottawa shall not be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in contract, tort or otherwise.

Hydro Ottawa will practice reasonable diligence in maintaining power levels but will not be responsible for any variations caused by external forces, such as operating contingencies, exceptionally high loads, or low voltage supply from the transmitter or host distributor. Hydro Ottawa will not be held responsible for failure of any of its obligations as outlined in these Conditions of Service due to any events beyond the reasonable control of Hydro Ottawa, including, without limitation, severe weather, flood, fire, lightning, other forces of nature, acts of animals, pandemic, epidemic, quarantine restriction, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, third party accident, restraint by court or public authority, or action or non-action by or inability to obtain authorization or approval from any governmental authority, or any combination of these causes (“Force Majeure”).

Customers requiring a higher degree of security than that of normal electricity supply are responsible to provide their own back-up, standby facilities, or pay for additional Hydro Ottawa infrastructure and on-going costs. The Customer or Consumer shall assess their need for special protective equipment for their electrical apparatus to minimize the effect of, for example, momentary power interruptions, phase loss, transients, or harmonics.

Customers requiring a three-phase supply should install protective apparatus to avoid damage to their equipment, which may be caused by the interruption of one phase, or non-simultaneous switching of phases of Hydro Ottawa’s electricity supply.

Hydro Ottawa may occasionally need to interrupt the power supply to a Consumer during an emergency, or to effect repair, to construct, or to maintain its distribution system, or repair Customer-owned equipment. Power interruptions initiated by Hydro Ottawa shall be based on practical and cost effective considerations plus the extent of inconvenience to Consumers. Except in emergency cases, or as required by law, Hydro Ottawa will aim to provide the Consumer with reasonable advance notice of planned power interruptions.

Hydro Ottawa shall have the right to access a property, in accordance with Section 40 of [the Electricity Act, 1998](#), and any successor acts thereto. Hydro Ottawa may require a Customer or Consumer to provide Hydro Ottawa with emergency access to their premises for operating distribution equipment under Hydro Ottawa’s control.

2.3.2 Power Quality

2.3.2.1 Power Quality Investigations

Hydro Ottawa or its agents will respond to all power quality concerns and verify the power supply at the service entrance. There is no fee for this initial service.

If the cause of the concern is deemed to be Hydro Ottawa’s power supply and where industry standards are not met, Hydro Ottawa will proceed to rectify the problem at their expense. Hydro Ottawa will use appropriate industry standards such as ([IEC](#), [IEEE](#), [CAN3-C235-83](#)) and good utility practice, as per its power quality guideline ([ECG0008](#)) while maintaining their power quality on their distribution system.

If the power quality problem lies on the Customer side of the system, the Customer will be responsible for rectification.

The Customer will not be charged for the initial verification, however; Customers will be charged for subsequent site visits when the problem is on the Customer side.

2.3.2.2 Prevention of Voltage Distortion on Distribution

It is the responsibility of the Customer to ensure that their electrical usage does not adversely affect the distribution system. Customers with large non-linear loads must maintain acceptable power quality by implementing proper corrective measures, such as installing proper filtering and/or grounding. See Hydro Ottawa Power Quality Guideline ([ECG0008](#)).

2.3.2.3 Motor Starting

It is the responsibility of the Customer to ensure that the starting current of any motor shall not exceed their associated distribution supply circuit limitations ([see ECG0008](#)). Reduced voltage starting may be needed if satisfactory transformer fusing cannot be obtained due to excessive starting current or a relatively long starting cycle. It should be noted that objectionable voltage flicker on the Customer's secondary system may be experienced if the motor(s) are supplied from a transformer bank which also supplies lighting or other sensitive equipment in the premise.

2.3.2.4 Load Balance

Three-phase Customers shall ensure their load is balanced between the three phases within 15% of each phase, unless specific unbalancing is approved by Hydro Ottawa.

2.3.2.5 Ground Fault Detection on Delta Services

With respect to older services with ground fault detection for 3-phase, 3-wire, delta services: ground fault detection, (phase indication lights) are required on the load side of the revenue metering for each individual service, and if more than one individual meter is required off a splitter trough, then ground fault detection (phase indication lights) are required on the load side of each revenue meter. In case of bulk consumption metering, ground fault detection would be required on the load side of the bulk consumption metering.

2.3.2.6 Timely Correction of Deficiencies

If Hydro Ottawa determines that an undesirable distribution system disturbance is being caused by Customer's equipment, the Customer will be required to cease operation of the equipment until satisfactory remedial action, as determined by Hydro Ottawa, has been taken by the Customer at the Customer's cost. If the Customer does not take action within a reasonable time, Hydro Ottawa may disconnect the supply of power to the Customer.

2.3.2.7 Obligation to Help in the Investigation

During the course of the initial Power Quality Investigation being performed by Hydro

Ottawa, the Customer is obligated to assist Hydro Ottawa by, for example, providing required equipment information, relevant data and necessary access for the monitoring of equipment. If, after the initial investigation it is determined that the power quality issues lie within the Customer's demarcation point, then the Customer shall be responsible to correct these issues.

2.3.2.8 Interruption Notification

Hydro Ottawa will endeavour to provide Customers or Consumers with reasonable notice of any planned power interruptions. For those considered generators of electricity, Hydro Ottawa will follow the OEB regulatory prescription in the [Distribution System Code](#).

Immediately prior to doing meter work that would result in a service interruption, Hydro Ottawa will attempt to notify the residential or small commercial Consumer or Customer in person at the affected premise.

Interruption times may change, however, due to inclement weather or other unforeseen circumstances. Hydro Ottawa shall not be liable in any manner to such Consumer or Customers for failure to provide notice of planned power interruptions or for any change to the schedule for planned power interruptions.

During an emergency, Hydro Ottawa may interrupt the supply of electricity to a property without notice in response to a shortage of supply of electricity, to effect repair on Hydro Ottawa's distribution system, to facilitate repairs to Customer-owned equipment, or to conduct work of an emergency nature to address possible injury to a person or damage to property or equipment. Service interruption without prior notice may take place if an unsafe or hazardous condition is found to exist at a Customer's premise.

2.3.2.9 Notification to Consumers on Life Support

Consumers who require an uninterrupted source of power for life support equipment must provide their own equipment for these purposes.

2.3.2.10 Emergency Trouble Service (Trouble Calls)

When power is interrupted, the Customer should first verify that the problem is not a result of blown fuses or opened breakers within their internal power system. If upon investigation it appears that Hydro Ottawa's service supply has failed, the Customer should immediately report these conditions through Hydro Ottawa's Power Outage telephone number ([Section 1.5](#)).

Hydro Ottawa is accessible by telephone 24 hours a day to provide emergency services to Consumers. A 24/7 emergency response team is also available for emergency repairs. Hydro Ottawa will quickly initiate restoration efforts.

2.3.2.11 Outage Reporting

Depending on the outage duration, and the number of Consumers affected, Hydro Ottawa

may issue a news release to advise the general public of the outage through the media. In turn, local news television and radio stations may call for information on a 24-hour basis when they hear of an outage.

2.3.3 Electrical Disturbances

Hydro Ottawa shall practice reasonable diligence in maintaining voltage levels, and shall not be held liable for the failure to maintain supply voltages as described in Hydro Ottawa's Power Quality Guideline ([ECG0008](#)). Typical voltage excursions that can be expected on distribution systems are capacitor-switching transients, voltage sags caused by faults on adjacent feeders, and auto-reclosure operations. It is the Customer's responsibility to protect themselves from any external disturbance.

Customers must ensure that their equipment does not cause any disturbances such as harmonics, transients, or voltage swing outside acceptable standard that might interfere with the operation of adjacent Consumer equipment. Equipment that may cause disturbances includes large motors, welders, variable speed drives, etc. In planning the installation of such equipment, the Customer must consult with Hydro Ottawa. Customers who are found to cause system disturbances will be responsible for resolution at their expense. Failure to do so may result in a disconnection from Hydro Ottawa's distribution system.

Customers who require an uninterrupted source of electrical service or a supply free from disturbances must provide and maintain their own power conditioning equipment for these purposes.

2.3.3.1 Radio/TV Interference

Occasionally Customer's or Consumer's equipment may be affected by electrical noise interference generated by various sources, including power lines.

Should a Customer or Consumer contact Hydro Ottawa about interference, Hydro Ottawa will provide pamphlets that instruct the Customer or Consumer on how to determine if the interference is the result of their own equipment. Should the Consumer follow the prescribed steps and still believe that the interference is due to the electricity distribution system, Hydro Ottawa shall work with the Customer or Consumer to find the cause. Hydro Ottawa shall verify if the source of the interference is from utility owned equipment, and if so reduce or eliminate the problem. If the problem is with the Customer's or Consumer's equipment, a service charge may apply.

2.3.3.2 Electromagnetic Fields (EMF)

Some types of electronic equipment, such as Video Display Terminals can be affected by electric fields that are produced by high current carrying conductors in close proximity. Hydro Ottawa will provide an initial investigation and will attempt to determine the source of the interference.

2.3.4 Standard Voltage Offerings

- a. Depending on the type of distribution plant that lies along, the preferred secondary voltage will be at:
 - i. 120/240 V, single phase, or
 - ii. 347/600V, three phase, four wire.
- b. The following primary services may be made available:
 - i. 4,160/2,400V or
 - ii. 8,320/4,800V or
 - iii. 13,200/7,600V (transformer rating at 12,800/7400V) or
 - iv. 27,600/16,000V or
 - v. 44,000 V.

Conditional on installation of a primary service, the option for the Customer to distribute at 120/208 volts, three-phase, four-wire from vaults or pad-mounts within private property will be provided.

2.3.5 Voltage Guidelines

Hydro Ottawa maintains service voltage as per its power quality guideline ([ECG0008](#)) at the Customer's service entrance within the guidelines of [C.S.A. Standard CAN3-C235](#) (latest edition).

When voltages lie outside the acceptable limits for Normal Operating Conditions but within the acceptable limits for Extreme Operating Conditions, improvement or corrective action will be taken on a planned and programmed basis yet, not necessarily on an emergency basis. When voltages lie outside the acceptable limits for Extreme Operating Conditions, improvement or corrective action will be taken on an emergency basis. The urgency for such action will depend on factors such as the location and nature of load or circuit involved, the extent to which limits are exceeded.

Customers will be responsible to ensure that the voltage rating for equipment installed in their facility is compatible with the service voltage supplied by Hydro Ottawa.

2.3.6 Back-up Generators

Any Customer with portable or permanently connected generation used for emergency back-up shall comply with all applicable criteria of Hydro Ottawa and the Ontario Electrical Safety Code. In particular, the Customer shall ensure that the emergency generation does

not back feed on Hydro Ottawa's distribution system (open transition requirement – see Hydro Ottawa guideline [ECG0002](#)).

Customers with permanently connected emergency generation equipment shall notify Hydro Ottawa regarding the presence of such equipment and of any alterations to the emergency generation equipment.

Refer to the Distribution System Code for further details.

2.3.7 Metering

2.3.7.1 General

2.3.7.2 Current Transformer Boxes

2.3.7.3 Interval Metering

For the above three sub-heading items, refer to Hydro Ottawa's Metering Specifications [GCS0008](#).

Where an interval or smart meter exists or is required for a general service or large use Consumer, and a dedicated communication link for remote interrogation of the meter is needed as assessed by Hydro Ottawa, the Customer shall install the dedicated communication link at their expense and maintain its availability so long as the service exists unless other arrangements have been explicitly agreed to by Hydro Ottawa.

Should a Consumer's rate class change to where an interval meter is the standard or the Customer requests a metering upgrade to an interval meter, the Customer shall cover the cost of the new meter installation and the associated dedicated communication link expenses. While Hydro Ottawa is installing smart meters under the Provincial program, Hydro Ottawa will provide a smart meter at no additional cost to the Customer or Consumer metering project; the Customer shall remain responsible for all other metering facility costs, including the dedicated communication link installation and expenses. Refer to the [Appendix G](#) for the costing methodology.

Also, in line with the Distribution System Code, all premises, whether single or multi-unit, will have metering for each unit.

2.3.7.4 Meter Reading

Hydro Ottawa or its agents shall have the right to read any of Hydro Ottawa's meters on the Customer's or Consumer's premises. The Customer or Consumer must provide or arrange free, safe and unobstructed access for the purpose of obtaining meter readings, performing meter changes or inspections. Meter readings are typically scheduled on a monthly or bi-monthly basis. When premises are closed during Hydro Ottawa's regular business hours, the Customer or Consumer must, on reasonable notice, arrange such access at a mutually convenient time. In the event that a reading cannot be obtained, the bill will be estimated using historical consumption values.

At each billing cycle, either monthly or bi-monthly, Hydro Ottawa will make one attempt to

read the meter. If unsuccessful, a meter-reading card will be left at the door. To avoid an estimated bill, it is the Consumer's responsibility to provide Hydro Ottawa with an accurate meter reading within two business days from the date the meter-reading card was left. Where a meter access problem has been identified, the customer must grant Hydro Ottawa access to the meter at least once every year to obtain an actual reading, provided reasonable notice is given (ref: [The Electricity Act, 1998](#), Section 40(1)(b)).

Hydro Ottawa will not read Customer owned sub-metering.

2.3.7.5 Final Meter Reading

When service is no longer required, the Customer or Consumer shall provide Hydro Ottawa a minimum of 10-business days notice, prior to the final date of responsibility so that Hydro Ottawa can obtain a final meter reading within five (5) business days from the date of the move in/out. The Customer or Consumer shall provide access to Hydro Ottawa or its agents for this purpose. If a final meter reading is not obtained, the Consumer shall pay an estimated demand and/or energy amount for electricity based on the last meter reading.

2.3.7.6 Faulty Registration of Meters or Billing Errors

Metering electricity usage for the purpose of billing is governed by the federal [Electricity and Gas Inspection Act](#) and associated regulations, under the jurisdiction of Measurement Canada, a division of [Industry Canada](#). Hydro Ottawa's revenue meters are required to comply with the accuracy specifications established by the regulations under the said Act. When a measurement dispute arises, the Consumer and/or Hydro Ottawa may request intervention by Measurement Canada.

In the event of incorrect electricity usage registration, Hydro Ottawa will determine the correction factors based on the specific cause of the metering error and the Consumer's electricity usage history. The Consumer shall pay a reasonable sum for all of the energy supplied, based on the reading of any meter formerly or subsequently installed on the premises by Hydro Ottawa. Due regard shall be given to any change in the characteristics of the installation and/or the demand.

When a billing error has resulted in over billing and Measurement Canada is not involved, the Consumer will be credited with the erroneously paid amount for a period not exceeding six years, starting from the point that can be factually identified or reasonably proven (default) when the problem/condition began.

When a billing error has resulted in under billing and Measurement Canada is not involved, the Consumer will normally be charged with the amount erroneously not billed for a period not exceeding either of the following two cases:

1. Two years, in the case of an individual residential Consumer who was not responsible for the error, or the duration of the defect for any proven cases of wilful damage or energy diversion; or
2. The duration of the defect, for non-residential Consumer.

In the case of under billing, the Consumer, upon request, will be permitted to re-pay the amount over a period of time mutually agreed by both Hydro Ottawa and the Consumer but no longer than the duration of the error. In cases of over billing, Hydro Ottawa will refund the amount owed to the Consumer upon the completion of the investigation and over a period of time mutually agreed by both Hydro Ottawa and the Consumer but no longer than the duration of the error.

In cases in which Measurement Canada is involved, Measurement Canada will act as an arbitrator and shall determine the appropriate time period for adjustment.

Billing errors will be calculated using the actual rates in place at the time of the error.

Interest shall not be charged on amounts *owed to* Hydro Ottawa, unless it can be shown the Consumer was aware of the defect or has unlawfully tampered with or damaged Hydro Ottawa metering installations. In such cases, the interest charge will be at the discretion of Hydro Ottawa.

2.3.7.7 Meter Dispute Testing

Metering inaccuracy is an extremely rare occurrence. Most billing inquiries can be resolved between the Consumer and Hydro Ottawa without resorting to the meter dispute process. Initially, Hydro Ottawa will review the account to look for possible meter reading or billing errors. To assist the Consumer with energy management, written fact sheets and pamphlets can be sent to the Consumer.

If the Consumer remains unsatisfied, an initial site visit will be provided free of charge to determine if the meter and billing is accurate within acceptable limits. If the accuracy is acceptable and the Consumer is still not satisfied, further investigation may be offered for a fee. Hydro Ottawa will also inform the Consumer of the assistance provided by Measurement Canada in dispute resolutions. If initiated by the Consumer, Measurement Canada will typically verify the accuracy of the meter and/or metering installation including billing multipliers and the application of approved rate structures.

2.4 Tariffs and Charges

2.4.1 Service Connection

Customers will pay for service connections and service upgrades based on the average cost of providing these services, as set out in the methodology under [Section 3: Class Specific Service Requirements](#) and [Appendix G](#).

2.4.2 Energy Supply

Customers may purchase their supply of electricity under contract from an electricity

Retailer or from Hydro Ottawa under [Standard Supply Service \(SSS\)](#). Hydro Ottawa will supply and deliver electricity to all connected Customers according to its current Rate Schedule (see [Appendix H](#)).

2.4.3 Deposits

As a condition of supplying or continuing to supply distribution services, Hydro Ottawa requires Consumers to provide a security deposit, in accordance with Sections 2.4.6.1 to 2.4.29 of the [Distribution System Code](#). Hydro Ottawa shall not discriminate among Consumers with similar risk profiles or risk related factors, except where expressly permitted under the Distribution System Code.

Except for Consumers who meet the energy use security deposit waiver conditions described below “Deposit Waiver Conditions,” all Consumers are required to provide an account security deposit to Hydro Ottawa.

Energy use security deposits will be considered as advanced payments on accounts and become the property of Hydro Ottawa until refunded. They are not considered security as defined in the [Bankruptcy and Insolvency Act \(1992\)](#), Section 69(1).

2.4.3.1 Calculating the Deposit Amount

The deposit amount is based upon the average monthly load at the subject service location during the most recent 12-month period, with some of the time period having occurred in the previous 24-months, factored by the billing frequency.

Where usage history is available:

- Monthly billed Consumers: Average monthly bill x 2.5
- Bi-monthly billed Consumers: Average bi-monthly bill x 1.75

Where usage history is not available, Hydro Ottawa will reasonably estimate usage, based upon the service size (voltage/amperage) and load type.

Where a Consumer’s payment history discloses more than one disconnection notice in a relevant 12-month period, Hydro Ottawa may use the highest actual or estimated monthly load for the subject premises, for the most recent 12-consecutive months, within the past two (2) years for the purpose of calculating the maximum security amount.

2.4.3.2 Deposit Waiver Conditions

Consumers opening an account may qualify for a deposit waiver based on the following criteria:

- a) The Consumer provides historical Hydro Ottawa account information confirming a satisfactory payment history, where some of that satisfactory payment history has occurred within the previous 24 months and is in the same account holder name, or,

- b) The Consumer provides a letter from another electrical or gas distributor in Canada, confirming a satisfactory payment history, where some of that good payment history has occurred within the previous 24 months and is in the same account holder name, or,
- c) The Consumer provides a satisfactory credit check at their expense. Hydro Ottawa is not responsible for the data integrity of external credit rating agencies.

2.4.3.3 Satisfactory Payment History

- a) The minimum time frame for establishing satisfactory payment history, provided some payment history has occurred within the past 24 months, varies by Consumer class as follows:
 - Residential 1 year
 - Commercial less than 50 kW demand 5 years
 - Commercial greater than 50 kW demand 7 years

In accordance with the [Distribution System Code](#) amendment, Sections 2.4.30 and 2.4.31 (issued May 12, 2006), also considered as under “Residential” in this matter is a Consumer that is a corporation within the meaning of the [Condominium Act, 1998](#), who has an account with Hydro Ottawa that both:

- i. Relates to a property defined in the *Condominium Act, 1998*, and is comprised predominantly of units that are used for residential purposes; and
 - ii. Relates to more than one unit of property, provided that the Consumer files with Hydro Ottawa a “Declaration Form” attesting to the Consumer’s status as a corporation within the meaning of the *Condominium Act, 1998*.
- b) A payment history will not be considered satisfactory if more than one of the following events occur, during the relevant time period, as set out in [Section 2.4.3.3\(a\)](#):
 - A disconnection notice;
 - A payment returned for insufficient funds (i.e. “NSF”);
 - A visit to disconnect service or collect overdue charges.
 - c) A security deposit shall be required if a Consumer fails to maintain a good payment history, as outlined in Sections [2.4.3.3\(a\)](#) and [2.4.3.3\(b\)](#).
 - d) If any of the preceding events occur due to an error on the part of Hydro Ottawa, the Consumer’s payment history shall not be affected,

2.4.3.4 Reduction of Deposit Amount

Commercial Consumers greater than 50 kW will have deposits based upon the criteria in [Section 2.4.3.1](#) and reduced according to their credit rating, as follows:

<u>Credit Rating</u> (Standard and Poor's Ratings)	<u>Allowable Reduction</u>
AAA- equivalent and above	100%
AA-, AA, AA+ or equivalent	95%
A-, From A, A+ to below AA or equivalent	85%
BBB-, From BBB, BBB+ to below A or Equivalent	75%
Below BBB-, or equivalent	0 %

2.4.3.5 Forms of Acceptable Security

Security deposits may be provided to Hydro Ottawa in the form of:

- Cash;
- Automatically renewing, irrevocable letters of credit from a bank, as defined in the *Bank Act, 1991, c46*; or
- Surety bonds.

A third party guarantee is no longer offered. Where a third party guarantee already exists, the distributor shall return the amount of the security deposit including interest due to that third party. This applies where and to the extent that:

- i) The third party paid all or part (as applicable) of the security deposit directly to the distributor; or
- ii) The third party has requested, at the time the security deposit was paid or within a reasonable time thereafter, that the distributor return all or part (as applicable) of the security deposit to it rather than to the Consumer less the amount owed to Hydro Ottawa.

2.4.3.6 Payment Time Lines

If requested, the Consumer may pay their energy security deposit in equal instalments over a maximum of four (4) months.

2.4.3.7 Security Deposit Reviews, Adjustments and Refunds

Hydro Ottawa shall review deposit levels a minimum of once, per calendar year, to assess refund eligibility and the maximum amount held, in accordance with the time periods specified in [Section 2.4.3.3\(a\)](#) for establishing a satisfactory payment history.

Consumers may request, in writing, a review of their deposit level or requirement, once 12-months have elapsed from the date the full deposit was paid.

Hydro Ottawa will reduce the energy use security deposit held by Consumers greater than

5,000 kW, by a maximum of 50%, after seven (7) years good payment history has been achieved. The balance will be refunded only when the account is closed.

Consumers, who may be requested to increase their security deposit amount, shall be required to do so when their next regular bill becomes due.

Consumers, with active accounts, who are eligible for a partial or full deposit refund shall have their cash deposit, plus accrued interest, applied to their account. Other acceptable forms of security shall be returned after suitable replacement is received, as applicable.

Upon closure of an account, Hydro Ottawa will automatically transfer the balance to the Consumer's new Hydro Ottawa account or, where none exists apply the deposit and accrued interest to the final bill. Any residual credits shall be returned by cheque, within six (6) weeks of closure.

Balances of less than \$5.00 will not be returned by cheque.

For Consumers who change their billing option from distributor-consolidated billing to retailer-consolidated billing, Hydro Ottawa shall apply their cash deposit plus accrued interest, or applicable portion thereof, to the final bill. Any residual credits shall be returned by cheque, within six (6) weeks of closure. Other acceptable forms of security shall be returned by mail.

2.4.3.8 Deposit Interest and Application

Interest shall accrue on cash deposits, monthly, once the security deposit has been paid, in full. The interest rate shall be at the prime business rate, less two (2) percent, as published on the Bank of Canada website, and updated by Hydro Ottawa, at a minimum, quarterly.

Such interest shall be applied to the Consumer's account, at least annually, or, on return of the deposit or closure of account, whichever comes first.

2.4.3.9 Failure to Comply with Security Deposit Request

Payment of requested security is a condition of service and continuing service, which shall be enforced through standard collection practices for amounts overdue.

Hydro Ottawa may enforce payment of the required security by withholding or withdrawing electrical service, provided a minimum seven (7) days written notice is given. (see [The Electricity Act, 1998](#), Section 31).

2.4.4 Billing

Hydro Ottawa may, at its option, render bills to its Consumers on either a monthly, bi-monthly, quarterly or annual basis.

2.4.4.1 Prorating Bills and Service Charges

Service and demand charges may be prorated for the first bill, final bill, and over a rate change. Charges are based on a straight ratio calculation of the number of days occupied by the Customer to a standard 30-day month.

2.4.4.2 Estimating Bills

Reasonable attempts will be made to obtain a meter reading for all regular electricity bills. Bills will only be estimated when Hydro Ottawa has been unsuccessful in obtaining a meter reading. If a bill is estimated, whenever possible it will be based on the Consumer's consumption history.

Demand will only be estimated after current practices for retrieving a reading have been exhausted. When a demand reading cannot be obtained, it will be estimated after reviewing the demand history and considering, for example, seasonality and change in use. This does not apply to interval metering.

2.4.4.3 Account Set-Up Charge

When a Consumer establishes a new account, a charge is applied to their first bill. This charge applies to both those Consumers who are new to Hydro Ottawa's distribution service area and those who have moved locations within Hydro Ottawa's distribution service area.

2.4.4.4 Arrears Certificate

A charge is levied to provide a certificate of arrears per service address. This is typically provided to lawyers during a property purchase.

2.4.4.5 Transformer Ownership Credit

Where a Customer owns all distribution transformers at the same premise, Hydro Ottawa will apply a Transformer Ownership Credit to the energy account of the Consumer serviced from those transformers as approved by the Ontario Energy Board.

Where a mix of Customer and Hydro Ottawa owned distribution transformers exist at the same premise, Hydro Ottawa will not apply the Transformer Ownership Credit to any energy account for new or upgraded installations.

2.4.4.6 Dry Core Transformer Losses

For Consumers or Customers with a central service with individual metering for billing purposes on the secondary side of dry-core transformers (secondary to secondary type), dry-core transformer charges will be applied to the bill. The charge shall be determined from a schedule based on the size and type of the dry-core transformer. If a bulk consumption verification meter exists on the central service, this meter may be used to determine the losses on the dry-core transformers.

2.4.4.7 Power Factor Adjustment

A Consumer will be billed for demand based on the measured kilowatts or 90% of the measured kilovolt-amperes, whichever is greater. This provides an adjustment for a Consumer with a power factor that is less than 90% leading or lagging.

2.4.5 Payments

2.4.5.1 Payment Plans

Hydro Ottawa shall offer the payment plans listed:

a) Budget Billing:

Budget Billing is only open to qualifying residential and small business Consumers (General Service <50kW) who purchase their electricity commodity through Hydro Ottawa (Standard Supply Service). Budget Billing is not available to:

- Consumers enrolled with a Retailer for the purchase of their electricity commodity;
- Consumers whose meter reading was estimated more than once in the last year.

Under this plan, a bill is issued every two months, however a pre-authorized, monthly budget amount shall be withdrawn, automatically, from the Consumer's bank account on either the 1st or 15th of each month. This amount shall be based on the Consumers projected annual electricity costs. If the Consumer's budget amount exceeds or is insufficient compared to the Consumers actual usage, Hydro Ottawa may periodically adjust the budget amount. Consumers shall be notified, in advance, of any required adjustments.

While on this Plan, interest is not paid or charged on account balances. Hydro Ottawa provides the estimate for budget billing and the consumer accepts the amount. Both parties consent that no interest will be charged or credited to account balances, while the Budget Billing Plan is in effect.

To enrol, Consumers must complete, sign and submit a payment plan application, along with a void cheque.

If monthly payments are not maintained, Consumers shall be automatically removed from the plan by the subsequent withdrawal date, if payment remains outstanding.

Upon request, Consumers may opt out of this plan at any time, at which point, standard billing and collection timelines shall apply. The requested changes will become effective within 15 business days of receiving the Consumers request.

b) Pre-authorized Net (PAN)

This plan is available to all Consumers, except those billed directly by a Retailer (i.e., Retailer Consolidated Billing).

A pre-authorized bank debit of the net-billed amount shall be withdrawn from the Consumer's bank account on the due date of the bill, according to billing cycle.

To enrol, Consumers must complete, sign and submit to Hydro Ottawa a payment plan application form, along with a void cheque.

Upon request, Consumers may opt out of this plan, at any time. The requested changes will become effective within 15-business days of receiving the Consumers request.

If payments are not maintained or remain outstanding, the Consumer shall be automatically removed from the plan within 30-days after the due date.

Consumers who default on their payments shall be required to restore payment by the next month's withdrawal date, and make the current monthly payment. If the Consumer cannot update their payments, the plan will be suspended until the balance is cleared. If a security deposit is not already applied to the Consumer's account, a request may be initiated at that time, as set out in "Satisfactory Payment History" under Section 2.4.3.

2.4.5.2 Payments and Late Payment Charges

A late payment charge of 1.5% per month (19.56% annually) is applied to all accounts not paid by the due date. Bills are due and payable 16-days from the mailing date. This charge is levied on any bill, including final bills, with no minimum set. Where the Consumer has made a partial payment on or before the due date, the late payment charge will apply only to the amount of the bill outstanding at the due date, inclusive of arrears from previous billings.

Credit balances arising from Consumer overpayments may be refunded at the request of the Consumer. In such instances, no interest shall be applied to the amount.

2.4.5.3 Collections Charge

A collections charge will be applied when a collection visit is made at a Consumer's premises. This charge is not applied if the collections trip does not result in payment. Only one Collections Charge will be applied per billing period unless a partial payment has been made. A Collections Charge will not be applied if a reconnection charge is applied in the same billing period following a service disconnect for non-payment.

2.4.5.4 Returned Payment Charge

A charge is applied for each payment that cannot be processed.

2.4.5.5 Reconnection Charge

A Consumer or Customer disconnected for non-payment shall be required to pay a reconnection fee.

2.4.5.6 Credit Refunds

A credit refund for final accounts will not be initiated until 10-business days have elapsed from the final payment date. When an account holder has another active account with Hydro Ottawa, the credit balance will be transferred into that active account. Otherwise, a refund cheque will normally be issued within six weeks of account closure.

2.5 Customer Billing Information

Hydro Ottawa will communicate general market and educational information to its Customers and Consumers, as required.

At the Customer's or Consumer's request, Hydro Ottawa will provide a list of retailers who have service agreements in effect within its service area. The list will inform the Customer or Consumer that an alternative retailer does not have to be chosen to ensure that the Customer or Consumer receives electricity and the terms of service that are available under Standard Supply Service.

Upon a Consumer's written authorization, Hydro Ottawa will make the Consumer's information available to the Consumer or third party, as stated in Chapter 11 of the Retail Settlement Code.

Upon receiving a billing inquiry from a Consumer, Hydro Ottawa will either respond to the inquiry if it deals with its own distribution system or provide the Consumer with contact information for the entity responsible for the item of inquiry, in accordance with chapter seven (7) of the Retail Settlement Code.

2.6 Consumer Rate Classification and Designation

For rate classification, new and existing Consumers are classified according to the intended use of the premise. Also, for non-residential Consumers, the rate classification will be determined based on the actual or estimated annual electricity usage or billing demand. The rate classification is independent of the service construction or specific service costs discussed in [Section 3.0](#) and [Appendix G](#).

2.6.1 New Consumer Rate Classification and Designation

Initial Consumer rate classes are determined according to the following table.

For statistical purposes, Hydro Ottawa has subdivided the 50-1500kW class into two groups (50 – 1000kW and 1000 – 1500kW), however, rates for both groups remain the same.

Class	Context
Residential	All services where the sole function is for personal residency. This includes single-family homes, townhouses and apartments.
General Service < 50 kW	Single phase up to 400A service. Three-phase 120/208V – up to 100A service. Three-phase 347/600V – up to 60A service.
General Service 50–1500 kW	80 % of service size
General Service 1500-5000 kW	80 % of service size
Large User >5000 kW	80 % of service size

Table 2.6.1-1: Rate Classifications of New Consumers

Upon receipt of a completed Designation form, where the Consumer has identified their eligibility for the RPP (Regulated Price Plan), the Designation will be effective on a “go forward” basis, only. Eligibility for Designation is in accordance to the definitions outlined in the [Ontario Energy Board Act, 1998](#) and [Ontario Regulation 161/99](#).

2.6.2 Existing Consumer Rate Reclassification and Re-designation

Once classified, Consumers shall remain in their initial category until a full 12-months of load history is available for the premise. In February of each year, all Consumer classifications shall be reviewed. Hydro Ottawa will inform Consumers whose accounts will be reclassified, and adjust those accounts accordingly. A Consumer may request to be reclassified prior to the one year if they can reasonably demonstrate that their load will remain significantly within the requested classification range.

If, during the re-classification process, a Consumer’s load falls within +/- 5% of the adjacent class threshold, they will not be reclassified until they maintain that relative position for a period of two years. At that time they shall be re-classified.

Consumers who become ineligible for designation status shall be subject to a “Final Regulated Price Plan (RPP) Variance Settlement Factor.” This settlement factor may be a credit or a charge based on the current factor issued by the OEB and shall be included in the first bill issued after the Consumer is removed from designation status.

All re-classifications occur prospectively (i.e., on a “go forward,” basis) from the time the customer has requested the change and/or at the yearly review process.

For statistical purposes, Hydro Ottawa has subdivided the 50-1500kW class into two groups (50 – 1000kW and 1000 – 1500kW), however, rates for both groups remain the same.

Class	Context
Residential	Not Applicable
General Service < 50 kW	<p>Consumer remains in this class if their average billing demand for the previous year is less than 50 kW or total consumption is below 150,000 kWh.</p> <p>Consumer moves immediately to this class if the yearly average billing demand falls below 47.5 kW or the total consumption is below 150,000 kWh.</p>
General Service 50–1,500 kW	<p>Consumer remains in this class if their average billing demand for the previous year is between 50-1500 kW.</p> <p>Consumer moves immediately to this class if the yearly average billing demand is between 52.5 – 1425 kW.</p>
General Service 1,500-5,000 kW	<p>Consumer remains in this class if their average billing demand for the previous year is between 1500-5000 kW.</p> <p>Consumer moves immediately to this class if the yearly average billing demand is between 1575 – 4750 kW.</p>
Large User >5000 kW	<p>Consumer remains in this class if their average billing demand for the previous year is greater than 5000 kW.</p> <p>Consumer moves immediately to this class if the yearly average billing demand is greater than 5250 kW.</p>

Table 2.6.2-1: Rate Reclassifications of Existing Consumers

For details on the metering implications, see [Section 2.3.7 “Metering.”](#)

SECTION 3: CUSTOMER CLASS SPECIFIC

3.0 Common Installation, Maintenance and Ownership Conditions

3.0.1 Referenced Hydro Ottawa Documents

The following are other Hydro Ottawa documents which define technical interfaces between Hydro Ottawa and its Customers:

ECG0001:	Commercial Secondary Ownership
ECG0002:	Technical Guideline For Customer Owned Standby Generation
ECG0003:	Residential Secondary Ownership
ECG0004:	Un-metered Secondary Ownership
ECG0005:	Commercial Primary Service Ownership Demarcation, Customer Owned Equipment
ECG0006:	Embedded Generation Connection Guideline
ECG0008:	Distribution System Voltage & Power Quality
ECG0009:	Commercial Primary Service Ownership Demarcation, Hydro Owned Equipment
GMS0011:	Specification for Air-Insulated Distribution Switchgear
GMS0023:	Specification for Gas-Insulated Distribution Switchgear
GCS0001:	Underground Residential Distribution Installation of Civil Work Construction Detail in Subdivisions
GCS0002:	Primary Voltage Service General Guideline
GCS0008:	Metering Specifications
GCG0003:	Typical Private Residential Road Cross Section
ECS0023:	Un-metered Services Specifications
OLS0002:	Overhead Primary Voltage Line Clearances to Adjacent Buildings; 2.4/4.16 – 44kV – Clearance Detail
UTS0001:	Minipad Transformer - Clearance Detail
VIS0001:	Vault Inspection and Maintenance
Swimming Pools in the Vicinity of Electrical Wires	
Tree Planting Advice	

For the latest specifications, see Hydro Ottawa's website ([Section 1.5](#)). Nothing contained in these specifications shall prejudice or supersede any regulation or requirement of the [Ontario Electrical Safety Code \(OESC\)](#) for Customer owned equipment.

These documents may be modified from time-to-time. Customers are responsible for ensuring they reference the most recent version.

3.0.2 Distribution System Requirements

Hydro Ottawa has the sole right to set standards, specifications and designs for its distribution system.

The determination of how to supply a premise, whether pad-mounted transformer, pole mounted transformer(s) or Customer vault, resides with Hydro Ottawa.

Pad-mounted units are not permitted where construction is planned from lot line to lot line in the downtown, or in areas where total underground conversion may be planned.

Only standard Hydro Ottawa approved conductors or cables shall be connected on/into Hydro Ottawa owned support structures except for approved un-metered utilities who have a Municipal Access Agreement (e.g. no metal sheath cables such as “teck,” “pyro,” nor “corflex” will be permitted).

3.0.3 Public Access to Hydro Ottawa Equipment

In no instances shall a Customer, Consumer or contractor attach equipment, such as satellite dishes, lighting, telecommunications, cablevision, security, fencing or signage, to Hydro Ottawa structures (e.g. poles, underground cable chambers), without prior written approval from Hydro Ottawa. Signs attached to distribution asset structures are by written agreement solely for traffic safety, public community, non-profit, and local improvement events (i.e., not for commercial gain, political views, or offensive material). Attachments to Hydro Ottawa poles require an attachment agreement and, where along roadways, authorization from the Road Authority for the encroachment.

Safe Limits of Approach as specified in the E&USA Electrical Utility Safety Rules shall apply. As such, Hydro Ottawa will have ducts stubbed out of its underground chamber so that the Customer’s ducts can be connected without entering the Hydro Ottawa underground cable chambers.

To comply with the E&USA Electrical Utility Safety Rules, only a Hydro Ottawa approved contractor shall carry out work on or in Hydro Ottawa structures, and they shall notify Hydro Ottawa of the time and date on which they are proposed to work on or in a Hydro Ottawa structure. In no case shall a contractor work on a Hydro Ottawa pole above any live conductor or install an underground service on a pole or in an underground cable chamber where there is a Hydro Ottawa cable.

Removal of graffiti on electrical boxes (e.g. a pedestal, a kiosk, a pad-mounted transformer), dedicated to a Customer’s property is the responsibility of the Customer. Removal shall be done using a Hydro Ottawa qualified contractor, and the applicable standards.

3.0.4 Hydro Ottawa Access to Equipment

Hydro Ottawa shall have access to the Consumer or Customer’s property in accordance with Section 40 of [the *Electricity Act, 1998*](#), “Powers of Entry”.

The Consumer or Customer shall provide unimpeded, safe, secure access to Hydro Ottawa employees or its contractors at all times for the purpose of installing, inspecting, operating,

replacing, removing, or maintaining, distribution equipment or metering, including reading the meter. When access is impeded, Hydro Ottawa shall not be held liable for damages to Consumer or Customer property incurred while obtaining safe access to metering or distribution equipment.

The Consumer or Customer shall not change, or cause changes, to a property in the proximity to Hydro Ottawa plant such as landscaping, planting trees or shrubs, or building fences, decks, sheds etc., that would impede access to Hydro Ottawa distribution assets. When an obstruction is identified by Hydro Ottawa, Hydro Ottawa will notify the Consumer or Customer and provide the Consumer or Customer with reasonable time to correct the obstruction, as defined by Hydro Ottawa. Hydro Ottawa may disconnect the electrical service, remove or relocate the obstruction, or trim vegetation at the Consumer's or Customer's expense when an obstruction exists (per [Section 2.2](#)).

3.0.5 Heritage Facilities

Hydro Ottawa works with municipalities regarding heritage conservation programs under the Ontario Heritage Act. In keeping with these formal heritage programs, when an electrical service is upgraded, Hydro Ottawa will require the electrical service entrance facilities (including the meter), to be installed away from the main line of sight for any designated significant heritage resource.

3.0.6 Vegetation Management

The Consumer or Customer will ensure adequate clearances are maintained between Consumer or Customer owned overhead lines or other electrical service apparatus and any vegetation (such as trees, climbing vines, or shrubs). The Consumer or Customer is responsible to ensure only qualified contractors work near primary voltage distribution assets be they, for example, overhead lines, transformers, or switches, or ground level (typically referred to as pad-mounted) electrical apparatus such as transformers or switches. Hydro Ottawa will provide advice and electrical isolation if required, to assist the Consumer or Customer in meeting the above conditions in the safest manner. Refer to G1.15 on isolation / re-energization.

Consumers or Customers shall prepare a clear path from vegetation for new or upgraded overhead electrical service on their property.

Hydro Ottawa will trim or sufficiently remove vegetation interfering with Hydro Ottawa's distribution assets, such as main overhead lines and pad-mounted transformers, if Hydro Ottawa determines that the distribution asset or electrical system reliability is or will be adversely affected by the vegetation, or if the vegetation presents a safety hazard. Hydro Ottawa will not be held liable for any damages to vegetation due to trimming or removal.

Information on planting and protecting vegetation near Hydro Ottawa equipment is available in the Hydro Ottawa publication "Tree Planting Advice," and in engineering specification UTS0001 for mini-pad clearance details, both available on-line through Hydro Ottawa's

website (see [Section 1.5](#)).

3.0.7 Protection of Equipment

Property owners shall protect Hydro Ottawa equipment from damage and maintain the required clearances when the property owner makes changes to their property or their structures on their property at all times.

3.0.8 Property Reinstatement

If any repair of the service conductor on the Customer's property is required and Hydro Ottawa is responsible for such repair, Hydro Ottawa will re-instate with sand, gravel, and/or soil. It shall be the Customer's responsibility to repair/replace vegetation (e.g. shrubs, trees, lawn, gardens, etc.), hard surfaces, obstacles (e.g. decks, fences, patios, sheds, pools, play structures, etc.), foundations, and shallow utility service drops such as telephone, cablevision or watering systems disrupted by the repair.

3.0.9 Underground Services General Requirements

For underground services, the Customer will be required to provide trenching and reinstatement in a location approved by and in accordance with Hydro Ottawa requirements to accommodate service conductors. The Customer, their contractor or representative shall permit Hydro Ottawa to inspect the service trench prior to the backfilling, or pouring of concrete. The maximum length of service from the supply point to the service attachment shall be 30m.

3.0.10 Overhead Service General Requirements

If the overhead standpipe is on the side of the building, the service bracket and insulator(s) shall be located within 1830 mm (6 ft.) of the corner of the building nearest to the pole from which electricity will be supplied. Particular attention should be taken in establishing the correct standpipe location for buildings on corner lots.

The service should not be located where an accumulation of ice may form across the service wires and/or meter base. Hydro Ottawa will not be responsible for removing such ice formation or damages resulting from ice.

The maximum length of service from the overhead supply point to the service attachment shall be 30m. More than this, the Customer may be required to provide an additional support and pay for the excess length of wiring.

3.0.11 Premise Identification

At all times (including during construction), the civic address must be clearly visible from the public roadway.

On each ESA wiring permit and Hydro Ottawa Service Agreement and Contract, the civic address must be clearly indicated before the service will be energized.

3.0.12 Connection and Disconnection of Services by the Public

Any un-authorized electrical contractor or person shall not tamper with Hydro Ottawa distribution assets, including yet not limited to meters, or seals. They shall also not make any connection or disconnection on Hydro Ottawa secondary conductors, service loops, or any Hydro Ottawa assets unless by an Hydro Ottawa approved contractor and explicitly authorized to do such by Hydro Ottawa. In cases where the work to be carried out necessitates isolation of a service or removal of a meter, the contractor or electrician shall obtain a work permit from ESA and then shall notify Hydro Ottawa. Hydro Ottawa shall make arrangements for the service isolation or re-energization. The contractor or electrician who does not comply with these regulations shall be held responsible for damage or loss and may be subject to charges under, for example, the *Electricity and Gas Inspection Act*.

3.0.13 Swimming Pools

Although the Ontario Electrical Safety Code allows electrical conductors to be located at an adequate height, Hydro Ottawa will not allow electrical conductors to be located above swimming pools. Hydro Ottawa also has requirements for minimum distance between overhead wires and pool equipment such as pool ladders, and between underground cables and the inside walls of a pool. For new swimming pool installations it will be necessary to relocate, at the Customer's expense, any electrical conductors directly over the proposed pool location. Where overhead service conductors are in place over an existing swimming pool, Hydro Ottawa will provide up to 30m of overhead service conductors, at no charge, to allow rerouting of the service. The Customer will pay any other costs. For further detail, refer to the publication "Swimming Pools in the Vicinity of Electrical Wires" through Hydro Ottawa's website (see [Section 1.5 "Contact Information"](#)).

3.0.14 Power Line Carrier

The Customer shall not, without written permission from Hydro Ottawa, use Hydro Ottawa's electrical system beyond their ownership demarcation point for power line carrier requirements.

3.1 Residential

This section refers to the supply of electrical energy to residential Customers residing in detached, semi-detached, duplex, triplex, or townhouse dwelling units, as defined in the following sections.

Residential services will be offered at 120/240V, 1-phase, 3-wire, 60-Hz only, up to a maximum of 400A where available and only as underground servicing. Under specific conditions for town homes and stacked town homes, 120/240V up to a maximum of an underground 600A service would be considered with Customer owned secondary and the transformer location to be determined by Hydro Ottawa. For residential services requiring larger supply than mentioned above and for three-phase services, refer to [Section 3.2 “General Services.”](#)

3.1.1 Point of Demarcation

3.1.1.1 *Overhead*

- a) Secondary: For residential secondary overhead services, the line of ownership, maintenance and operational demarcation between Hydro Ottawa and the Customer is the connection at the standpipe.
- b) Primary: For overhead primary services, the line of ownership, maintenance and operational demarcation is the supply point. Typically this is the distribution-isolating device nearest or on the property line.

3.1.1.2 *Underground*

- a) Secondary: For residential secondary underground services, the line of ownership, maintenance and operational demarcation between Hydro Ottawa and the Customer is the line side of the first customer owned device, typically the meter base.
- b) Primary: For underground primary services, the line of ownership, maintenance and operational demarcation is the first distribution-isolating device nearest or on the Customer's property. Service and maintenance costing (see the relevant Sections [3.1.2.3](#), or [3.1.3.7](#)), easements and any specific maintenance agreements between Hydro Ottawa and the Customer shall determine the financial responsibilities.

3.1.1.3 *Historical and Specific Agreements*

Prior to amalgamation of the five local hydro utilities on November 1, 2000, the point of ownership demarcation between the former Ottawa Hydro and Kanata Hydro Electric Commission and the Customer for residential underground secondary services was the property line. For specific Customer ownership cases when a standard underground secondary service conductor fails between the Customer's property line and the first device on the line side (eg. meter base, switch, splitter) of the Customer's property, the Customer, in agreement with Hydro Ottawa, may elect to have Hydro Ottawa repair the service conductor.

If the Customer chooses the Hydro Ottawa repair/replace option, the Customer accepts the transfer of ownership, at no cost, of that underground secondary service conductor, up to the first device on the line side of the Customer's property, to Hydro Ottawa. This transfer of ownership and repairs within the former Ottawa Hydro Electric Commission territory is only available to single and duplex family dwellings. With any repairs, Hydro Ottawa will reinstate the Customer's property to construction grade as per [Section 3.0](#). For residential underground secondary services with non-standard Hydro Ottawa service conductor, the line of ownership demarcation continues to be the supply point.

For all other former Customers and all new Customers with residential underground secondary services with a standard Hydro Ottawa service conductor, the line of ownership demarcation is the line side of the first device (e.g. meter base, switch, splitter) on the Customer's property (see [Drawing ECG0003](#)) unless there is a specific written agreement between Hydro Ottawa and the Customer. For residential underground secondary services with non-standard service conductor, the line of ownership demarcation is the supply point.

Exemptions: The ownership demarcation point may be different than stated above by a specific written agreement between Hydro Ottawa and the Customer. For the cases without a specific written agreement, reference will be made to [Appendix I – “Pre-amalgamation Ownership Demarcation Points Between Local Hydro and Customer.”](#)

3.1.2 Residential Underground Subdivisions

This section pertains to the supply of electrical energy to a residential underground subdivision considered as greenfield construction. Greenfield construction is where secondary servicing may not be nearby, or if it is, would be insufficient in capacity. In this case an expansion of Hydro Ottawa's distribution system may be needed. Refer to Hydro Ottawa's standard [GCS0001](#) for full details, including on metering, and inspection.

3.1.2.1 Servicing Requirements

Servicing of the units will be underground; however, main trunk supply to the boundary of the subdivision will be overhead, unless feasible and the developer requests underground supply at their cost. Refer to Hydro Ottawa's standard [GCS0001](#).

3.1.2.2 Site Information

Prior to establishing service details, Hydro Ottawa will require the following information from the Customer:

- Project name;
- Unit servicing detail;
- Number of units to be serviced;
- A plan of subdivision, to scale, showing the buildings in relation to existing and proposed property lines, other buildings, streets, street entrances, driveways, and the location of other services, gas, telephone, water, cablevision, waste water (sewage and storm, including catch basins).

- A grading plan;
- Landscaping plan;
- Road cross-sections used. Note: private roads shall conform to [GCG0003](#);
- Expectation of three or four party trenching. Note: four party trenching is not available for private roads;
- Proposed construction schedule, and phasing of the development;
- Developer detail.

All drawings should be provided electronically in a Hydro Ottawa approved file format.

3.1.2.3 Servicing Cost

Since residential underground subdivisions require an expansion or enhancement to the distribution network, the servicing cost for the subdivision shall be based on the result from the Economic Evaluation Model ([Appendix B](#)). The basic credit per service entrance is considered in the model. Hydro Ottawa's Offer to Connect will stipulate the servicing cost and options.

The expansion and enhancement cost will be reduced in whole or in part by a credit based on the future net revenue of Hydro Ottawa. The normal net revenue horizon of Hydro Ottawa will be based on 25-years subject to change depending on the type of development.

These costs are determined independent of the rate classification used for energy billing purposes discussed in [Section 2.6](#).

3.1.3 Residential Single Family Homes

This section pertains to the supply of electrical energy to detached and semi-detached, single-family homes. A single family home is a permanent structure or structures located on a single parcel of land and approved by the municipality's building department as a dwelling and occupied for domestic or household purposes by a single Customer.

3.1.3.1 Service Requirements

- a. One service will be provided for each property. In circumstances where more than one service is installed to a single property, and any of the services is to be upgraded, the upgraded service will replace all of the existing services.
- b. The maximum service size is typically limited to 200A, 120/240V. Due to technical constraints, single-phase secondary services greater than 200A may not be available in all areas.
- c. The location of the service entrance point and the meter base will be established through consultation with Hydro Ottawa for both new and upgraded electrical services. Failure to comply may result in relocation of the service at the Customer's expense.
- d. Where revenue metering is located inside a residence, the Customer will be required to

relocate the meter to the exterior of the building when upgrading the electrical service, working on service conductors within standpipes, or relocating the service entrance. This may not apply to designate significant heritage resources as noted in [Section 3.0.5](#).

3.1.3.2 Overhead Service (where permitted by bylaw)

Hydro Ottawa shall designate the supply point from which the service will be supplied and the location of the standpipe.

Hydro Ottawa will provide up to 30m of service conductor to the demarcation point. The Customer will contribute to the cost of services that exceed 30m in length, and in some circumstances may be required to construct a private pole line.

The maximum capacity of a secondary overhead service is 200A. Larger capacity services will be installed underground.

3.1.3.3 Underground Service (Overhead or Underground Distribution System)

Hydro Ottawa will specify the location of the meter base.

Hydro Ottawa will install secondary service conductors to a maximum length of 30m using standard Hydro Ottawa secondary conductors considering voltage drop and ampacity characteristics.

3.1.3.4 Site Information

Prior to establishing service details, Hydro Ottawa will require the following information from the Customer:

- A site plan, to scale, showing the building in relation to existing and proposed property lines, other buildings, streets and driveways, and the location of other services, gas, telephone, water and cablevision. In certain situations, a grading plan may be required;
- Civic address;
- Customer billing information such as Customer name, billing address, telephone number;
- Requested energization date;
- Service amperage wanted;
- A completed Load Summary form may be required (see [Appendix A](#)).

3.1.3.5 Metering

The Customer will supply and install a meter socket in accordance with Hydro Ottawa Metering Specifications ([GCS0008](#)).

3.1.3.6 Inspection

- The electrical installation inside the home and out to the demarcation point must be inspected and approved by ESA. Hydro Ottawa requires notification from the ESA indicating that an inspection has been conducted prior to energization.
- The service entry components up to, and including the meter base, shall be inspected and approved by Hydro Ottawa prior to energization.

3.1.3.7 Servicing Cost

Refer to [Appendix G](#). For new residential, Hydro Ottawa has defined a basic connection for residential Customers and will recover the cost of this basic connection as part of its revenue requirement through the distribution rates attributable to Hydro Ottawa. Hydro Ottawa has determined the typical cost of installing services. This will be the basis for amounts to be contributed by customers for any services beyond the Basic Connection. The methodology for determining these costs is documented in [Appendix G](#).

For residential infill and upgrades, the Customer shall be responsible for the cost of civil works from the meter base to the supply point.

For rural residential secondary Customers, Hydro Ottawa shall supply one clearance service pole within the road right-of-way at no cost (to the initially agreed location) subject to the Customer securing any third party land rights at their cost.

Hydro Ottawa shall extend the system to provide for a standard, single-phase, secondary residential service within its service area for development fronting opened road allowances. Secondary services greater than 200A single-phase may not be available in all areas due to technical constraints. The associated primary voltage enhancement cost is part of the basic cost for residential infill service (see [Appendix G](#)) as the upstream cost.

These costs are determined independent of the rate classification used for energy billing purposes discussed in [Section 2.6](#).

3.1.4 Residential Townhouses

This section pertains to the supply of electrical energy to row housing. For stacked townhouses, refer to [Section 3.2 General Services \(Secondary Voltage Supply\)](#).

A townhouse development is a structure or complex of structures each containing more than two residential units. One residential Consumer should occupy each unit and have direct outside access at ground level.

3.1.4.1 Service Information

- Each townhouse block will be provided with one 400A (with up to 600 A under specific conditions), single-phase, three-wire service to the building end-wall that will supply a maximum of six (6) – 100A gang metered services. Greater than six meters will require a metering centre with the aggregate load limited to a maximum of 400A.

- Where a revenue meter is located inside a townhouse, the Customer will be required to relocate the meter to the exterior of the building at the time of upgrading the electrical service or relocating the service entrance.
- The Customer will enter into a Servicing Agreement with Hydro Ottawa, governed by the terms and conditions under which the electrical distribution system and services will be designed and installed.
- The Customer will provide all civil works to accommodate the Hydro Ottawa plant.
- The distribution system and services shall be underground.

3.1.4.2 Site Information

Prior to preparing a design for services to the premise, the Customer must provide the following information to Hydro Ottawa:

- A grading and site plan showing the building(s) in relation to existing and proposed property lines, other buildings, streets and driveways, and the location of other services such as, gas, telephone, water and cablevision;
- Civic addresses;
- Customer billing information such as Customer name, billing address, telephone number;
- A legal reference plan by a land surveyor;
- A municipal servicing plan showing the location of water and sewer services;
- A layout showing the number of units and the size of electrical services required;
- A completed Load Summary form may be required. A copy is attached (see [Appendix A](#));
- Requested energizing date.

All drawings should be provided electronically in a Hydro Ottawa approved file format.

3.1.4.3 Metering

The Customer will supply and install meter sockets in accordance with Hydro Ottawa Metering Specifications ([GCS0008](#)).

3.1.4.4 Inspection

Prior to the energization of each service, the [ESA](#) is required to notify Hydro Ottawa that the electrical installation inside the buildings and out to the demarcation point has been inspected and approved by the ESA.

3.1.4.5 Servicing Cost

Service costs will be handled in a similar manner to the single-family residential connections as per [Section 3.1.3.7 “Servicing Cost.”](#) These costs are determined independent of the rate

classification used for energy billing purposes discussed in [Section 2.6](#).

3.2 General Services (Secondary Voltage Supply)

This section shall include small apartment buildings, dense condominium arrangements, and smaller commercial including billboards, industrial and institutional developments supplied from the road right-of-way or Hydro Ottawa easement. Larger services may require a primary supply (see [Section 3.3](#)).

3.2.1 Point of Demarcation

The point of ownership demarcation between Hydro Ottawa and the Customer varies depending on the overhead or underground supply configuration (see drawing [ECG0001](#)) unless there is specific written agreement between Hydro Ottawa and the Customer. The Customer will own and maintain the electrical service equipment up to the point of ownership, maintenance and operational demarcation, which will be the Hydro Ottawa supply point. Service costing (see [Section 3.2.6](#)), easements and any specific maintenance agreements between Hydro Ottawa and the Customer shall determine the financial responsibilities.

For the cases without a specific written agreement, reference will be made to [Appendix I – “Pre-amalgamation Ownership Demarcation Points Between Local Hydro and Customer.”](#)

3.2.2 Service Requirements

One service will be provided for each property. In circumstances where more than one service is installed to a single property, and any of the services is to be upgraded, the upgraded service will replace all of the existing services.

The service voltage will be established by Hydro Ottawa depending upon the location of the premise and will be one of the following:

- 120/240 volts, 1-phase, 3-wire, up to 200A overhead (subject to municipal bylaw) or underground;
- 120/240 volts, 1-phase, 3-wire, 400A underground in designated areas;
- 347/600 volts, 3-phase, 4-wire, up to 200A overhead or underground in designated areas;
- 347/600 volts, 3-phase, 4-wire, 400A underground in designated downtown areas, and if available;

Hydro Ottawa will establish the location of the service entrance to the property and to the premise.

3.2.3 Site Information

Prior to preparing a design for service to the premise, the Customer must provide the following information to Hydro Ottawa:

- A grading plan and site plan, to scale, showing the building in relation to existing and proposed property lines, other buildings, streets and driveways and the location of other services such as gas, telephone, water, and cablevision;
- Civic address;
- Customer billing information such as Customer name, billing address, telephone number;
- Requested energizing date;
- Service amperage;
- Preferred voltage;
- Preferred service entrance location;
- Estimated initial kilowatt demand and ultimate maximum demand;
- A single-line diagram showing the provision for metering facilities and a listing of all significant loads such as lighting, motors, cooling, heating, welders, etc;
- A completed Load Summary form may be required (see [Appendix A](#));
- In the event that an electrical room is to be installed, a plan to scale showing this room and provision for metering equipment must be provided.

All drawings should be provided electronically in a Hydro Ottawa approved file format.

3.2.4 Metering

The Customer will supply and install a meter socket in accordance with Hydro Ottawa Metering Specifications ([GCS0008](#)).

3.2.5 Inspection

- The electrical installation inside the building and out to the ownership demarcation point must be inspected and approved by the ESA. Hydro Ottawa requires notification from the ESA that this has been done prior to energization.
- The service entry components to, and including the meter base, shall be inspected and approved by Hydro Ottawa prior to energization.

3.2.6 Servicing Cost

The methodology for determining amounts to be contributed by the Customer for service is documented in [Appendix G](#). The Customer shall provide and install all electrical works and civil infrastructure for the service up to the supply point, plus the connection costs. For expansion or enhancement of the system, the actual cost will be recovered from the Customer with a credit for the future revenue from the service, through the use of an

Economic Evaluation Model (see [Appendix B](#)). This Model uses rate class information to determine future operating costs.

3.3 General Service (Primary Voltage Supply)

This section shall include apartment buildings, commercial, industrial, and institutional developments, where a primary voltage service is required, as outlined in [Appendix F](#).

The decision as to whether or not a transformer vault or pad-mount transformer is required rests solely with Hydro Ottawa, and under no circumstances are Customers to be advised in this regard without consultation with Hydro Ottawa. Hydro Ottawa will not install multi-pole overhead transformer structures. When these structures require upgrading, Hydro Ottawa will disconnect and remove its equipment, or may sell the structure, change the demarcation point, and perhaps retain ownership of the transformers.

3.3.1 Point of Demarcation

Prior to November 1, 2000, when the five local hydro utilities amalgamated, the point of ownership demarcation between Hydro Ottawa and the Customer varied depending on the overhead or underground supply configuration. With any general primary service supplied prior to amalgamation, the point of ownership demarcation remains the same as when originally supplied.

After November 1, 2000, for all general service supplied with a standard primary connection, the line of ownership demarcation is described in drawing [ECG0005](#) and [ECG0009](#) unless there is specific written agreement between Hydro Ottawa and the Customer. General service Customers with complex primary electrical distribution systems may consult Hydro Ottawa for the ownership demarcation points. A typical Customer owned scenario is illustrated in drawing [ECG0005](#).

The Customer shall own and maintain the electrical service and civil equipment up to their respective point of ownership demarcation (see drawings [ECG0005](#) & [ECG0009](#)). Hydro Ottawa shall own and maintain the electrical service and civil equipment upstream of their respective point of ownership demarcation. However, Hydro Ottawa shall control the electrical equipment within the Customer's property as indicated on Hydro Ottawa's primary demarcation drawings [ECG0005](#) and [ECG0009](#). Service costing (see [Section 3.3.6](#)), easements and any specific maintenance agreements between Hydro Ottawa and the Customer shall determine financial responsibilities.

Hydro Ottawa shall maintain operating control of the Customer owned primary voltage disconnect switch as designated by Hydro Ottawa.

3.3.2 Service Requirements

- One primary supply point will be provided as the standard for each property. An

open loop is considered one supply point.

- Hydro Ottawa will establish one supply point to the property.
- The service voltage will be established by Hydro Ottawa depending upon the location of the premise and will be as described in [Section 2.3.4 “Standard Voltage Offerings.”](#)

3.3.3 Site Information

Prior to the preparation of a design for a service to a premise, the following information is to be provided by the Customer to Hydro Ottawa:

- A grading plan and site plan, to scale, showing the building in relation to the existing and proposed property lines, other buildings, streets and driveways and the location of other services such as gas, telephone, water, and cablevision;
- Civic address;
- Customer billing information such as Customer name, billing address, telephone number;
- Requested energizing date;
- Service amperage;
- Preferred voltage;
- Preferred service entrance location;
- Estimated initial kilowatt demand and ultimate maximum demand;
- A single-line diagram showing the provision for metering facilities and a listing of all significant loads such as lighting, motors, cooling, heating, welders, etc.;
- A completed Load Summary form may be required. (see [Appendix A](#)) Loads must meet the limitations included in [Appendix F](#);
- A plan to scale showing the electrical room and provision for metering equipment shall be provided.

All drawings should be provided electronically in a Hydro Ottawa approved file format.

3.3.4 Metering

The Customer shall supply metering equipment in accordance with Hydro Ottawa Metering Specifications ([GCS0008](#)).

3.3.5 Inspection

- The electrical installation inside the building and out to the demarcation point must be inspected and approved by the ESA. Hydro Ottawa requires notification from the ESA that this has been done prior to energization.
- The service entry components to and including the meter base shall be inspected and

approved by Hydro Ottawa prior to energization.

3.3.6 Servicing Cost

The Developer shall pay the entire cost of all electrical and civil costs from the supply point to the electrical ownership demarcation point that only benefits the Developer within a five-year time horizon. Also, per [Appendix B](#) “Economic Evaluation Model,” the Developer will contribute to the actual cost of the system expansion that brings the service to the development supply point plus the system enhancement cost based on diversified load.

The expansion and enhancement cost will be reduced in whole or in part by a credit based on the future net revenue of Hydro Ottawa. The normal net revenue horizon of Hydro Ottawa will be based on 15-years subject to change depending on the type of development.

The load used for calculating the credit will be based on typical diversified demand based on the service entrance size or on load projections provided by the Customer. An agreement with the Customer may be required to guarantee the loading schedule (when services will be connected and electricity used) for the development. The agreement will be reviewed, per the Distribution System Code, on the fifth year anniversary and the security will be reduced based on the actual load experience. The load security deposit will be reduced if the loading schedule is realized as per the [OEB’s Distribution System Code](#).

These costs are determined independent of the rate classification used for energy billing purposes discussed in [Section 2.6](#).

3.3.7 Inspection and Maintenance of In-service Primary Equipment

Each customer, with a primary service shall inspect and maintain the equipment at a minimum as per Hydro Ottawa procedure [VIS0001](#).

3.4 General Service (above 1000 kW)

See [Section 3.3](#)

3.5 Embedded Retail Generation

Hydro Ottawa will provide a connection to its distribution system where it is technically feasible for embedded generators. The cost of the connection and related protection to assure the safety of the public, employees and security of the system will be charged to the Customer. The requirements for embedded generation are set out in Hydro Ottawa’s Generation Technical Guideline ([ECG0006](#)) and the Operating & Maintenance Agreement that must be signed between Hydro Ottawa and the embedded generator.

See [Hydro Ottawa Technical Guideline ECG0006](#), “Embedded Generation Connection

Guideline.”

Net metering regulation came into force on January 23, 2006, (see [O. Reg. 541/05](#)). A Customer wishing to participate in the Net Metering program may find more detail on the OEB website.

Initial application for connection shall be made on the Application to Connect a Generator ([Appendix E](#)).

3.6 Embedded Market Participant

Refer to the Distribution System Code.

3.7 Embedded Distributor

Refer to the Distribution System Code.

3.8 Un-metered Services

Un-metered loads are loads that are billed based on an estimated usage and load profile. Hydro Ottawa has the sole right to determine if a load shall be classified as un-metered.

Un-metered loads are intended for small load use within the road right-of-way. The specific service is for publicly owned utility plant, other utilities that are licensed for their plant access with the road authority, government agencies, and temporary community events. Typical un-metered load types are: streetlights, traffic signals, communication power supplies, bus shelters, railroad signals, and telephone booths. These services normally do not require system enhancements or expansions for connection. When un-metered service connections are requested and system enhancements or expansions are needed, the costs will be based on the Economic Evaluation Model (see [Appendix B](#)). Otherwise, for applicable charges, refer to [Appendix G](#) for the methodology in determining the fee, and contact Hydro Ottawa’s Service Desk (see [Section 1.5 “Contact Information”](#)) for a quote.

When a Customer is eligible for an un-metered service and has chosen such, Hydro Ottawa may chose to meter the load at any time and for any duration to, for example, verify or study typical usage (i.e., amount or profile) at the Customer’s expense. Also, when requested by Hydro Ottawa, the Customer or Consumer shall undertake at their cost, electrical usage profile studies by using either a Hydro Ottawa acceptable certified lab or acceptable in-field metering unit. The interim results and final report shall be provided to Hydro Ottawa in an acceptable format and time to Hydro Ottawa. Un-metered Consumers shall not allow other Consumers to use un-metered electrical power from their system without the written consent of Hydro Ottawa. Details are provided in the document [ECS0023](#), “Hydro Ottawa Limited: Un-metered Services.” Also, refer to drawing [ECG0003](#) for demarcation details.

. By selecting the un-metered service option, the Customer gives Hydro Ottawa consent to share or release load detail, plus energy and demand data to persons including, but not limited to, utilities, electrical associations, interest groups and Hydro Ottawa's regulators or as required by law. However, unless required by law or with the Customer or Consumer's written consent, their identity shall remain confidential and not be disclosed by Hydro Ottawa. Except otherwise noted, these conditions do not apply to metered services.

Hydro Ottawa no longer offers new sentinel lights. Any changes requested by the customer with an existing sentinel light(s) or major Hydro Ottawa distribution system work on the specific sentinel light poles will result in the removal of the light(s) or change of ownership of the light(s) to the customer and any required metering.

All new and upgraded billboard services shall be metered as per [Section 3.2](#).

3.9 Temporary Services

This section pertains to the supply of electrical energy on a temporary basis as defined in [Section 4.0](#).

Services for temporary accommodation such as portable schoolrooms are not permitted.

The Customer must pay all temporary service costs and a transformer rental charge will apply for temporary services other than the default temporary service, which does not include transformation.

Customers who install and maintain the load equipment are also responsible for installing and maintaining the service conductors from the supply point to the load.

If for some reason a supply point is relocated, the Customer will be contacted and informed that the service conductors must be extended at a cost to the Customer to the new supply point.

If any personnel, including contractor or sub-contractor, (such as floor sander or terrazzo grinder) takes supply from the line side of the meter or jumps the fuse, the service to the facility or building will be disconnected immediately.

3.9.1 Service Requirements

- a) The service voltage will be established by Hydro Ottawa depending upon the location of the building/construction site and will be one of the following:
 - 120/240 volts, 1-phase, 3-wire, up to 200A overhead (subject to municipal bylaw) or underground;
 - 120/240 volts, 1-phase, 3-wire, 400A underground in designated areas;

- 347/600 volts, 3-phase, 4-wire, up to 200A overhead or underground in designated areas;
- 347/600 volts, 3-phase, 4-wire, 400A overhead or underground in designated areas.

Larger services may require a temporary primary service (see [Section 3.3](#)).

- b) Hydro Ottawa will establish the location of the service entrance to the property and to the building.

3.9.2 Service Information

- a) At the discretion of Hydro Ottawa one or more temporary services may be provided for a site, subject to the requirements of the ESA.
- b) The location of the service entrance point and details of metering will be established through consultation with Hydro Ottawa. Failure to comply may result in modifications at the Customer's expense.

3.9.3 Supply from Pole Line (where permitted by bylaw)

The Customer will provide the secondary overhead conductor to the supply point. Hydro Ottawa will install and connect the service conductor at the supply point. The Customer will supply any anchoring, as required.

Pole mounted services require a weatherproof cabinet at a size sufficient to house the service and meter equipment. The cabinet shall have provision for padlocking. No metering or service equipment may be attached on the Hydro Ottawa poles.

Hydro Ottawa may provide an overhead primary service for large projects, at the Customer's expense. Line poles provided for utility equipment shall be a minimum of Class 3.

3.9.4 Supply from Underground Distribution System

There are areas where only an underground system has been installed. It will be necessary to consult with Hydro Ottawa to establish the method and cost of obtaining temporary construction service.

Due to the wide variation in these services, the Customer will pay the costs incurred by Hydro Ottawa.

3.9.5 Site Information

The Customer is to provide the following information to Hydro Ottawa:

- Civic address;
- Customer billing information such as Customer name, billing address, telephone number;
- Requested energization and removal dates;
- Service amperage;
- Preferred voltage;
- Preferred point of service entrance;
- Estimated kilowatt demand;
- A listing of all significant loads such as large motors;
- A site plan showing the location of the delivery point relative to lot lines and the street;
- A completed Load Summary form may be required (see [Appendix A](#)).

3.9.6 Metering

The Customer will supply metering equipment in accordance with Hydro Ottawa Metering Specifications ([GCS0008](#)).

3.9.7 Servicing Cost

Refer to Service Charge Schedule, [Appendix G](#) (for secondary supply voltages). These costs are determined independent of the rate classification discussed in [Section 2.6](#).

SECTION 4: GLOSSARY OF TERMS

“Basic Credit” refers to costs in connecting an electrical service for a new premise based on a basic connection plus the enhancement cost. It applies one time and thus only to new residential servicing. Upgraded services had benefited from the credit at first servicing and thus are not provided this credit. The basic credit applies once for each new service entrance regardless of the number of units connected to the service entrance;

“Basic Connection” means a new residential 100A overhead, single-phase, secondary service including transformation capacity, standard metering, 30-metres of overhead conductor;

“Betterment” see “Enhancement” definition;

“Billing Demand” means the metered demand or connected load after necessary adjustments have been made for power factor, intermittent rating, transformer losses and minimum billing. A measurement in kilowatts (kW) of the maximum rate at which electricity is consumed during a billing period;

“Board” means the “Ontario Energy Board” (OEB);

“Board of Directors” means the Board of Directors of Hydro Ottawa Limited;

“Buss” means a common current carrying element that allows the connections of other elements to that common element;

“Circuit Breaker” means a device designed to open and close a circuit by non-automatic means and to open the circuit automatically without damage to itself when properly applied within its ratings under fault or Emergency conditions;

“Cold Metering” means a service installation where the main switch, located on Customer owned property, is connected on the supply side (a.k.a. line side) of the Hydro Ottawa meter.

“Common Element” means “House Service;”

“Complex Metering Installation” means a metering installation where instrument transformers, test blocks, recorders, pulse duplicators and/or multiple meters may be employed;

“Conditions of Service” means the document developed by a distributor in accordance with sub-Section 2.3 of the [Distribution System Code](#) that describes the operating practices and connection rules for the distributor;

“Connection” means the process of installing and activating assets that join Customer equipment to the distribution network for the purpose of distributing electricity to the Customer;

“Consumer” means a person who uses, for the person’s own consumption, electricity that the person did not generate;

“Cost” in all references implies burdened labour, material, and vehicles & equipment expenses, including travel time (one hour return), however, excluding GST though it is applicable to the final cost. “Cost” and “Fee” may be interchangeable;

“Customer” means a person that has contracted for or intends to contract for connection of a premise or Generator. This includes developers of residential or commercial sub-divisions. An energy account may only be opened in one person’s name, and that person becomes the Consumer. The Customer, Consumer, and Generator is responsible for compliance with these Conditions of Service and for paying the rates, fees, tariffs, and charges in accordance with these Conditions of Service;

“Demand” means the average value of power measured over a specified interval of time, usually expressed in kilowatts (kW). Typical demand intervals are 15, 30, and 60 minutes;

“Disconnection / Reconnection”, the “Disconnection” means a deactivation of connection assets that results in cessation of electricity delivery services to a Customer, Consumer, or Generator as a result of an amount overdue to Hydro Ottawa. While “reconnection” means the re-activation of connection assets that results in the provision of distribution services to a Customer, Consumer, or Generator;

“Distribute”, with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less;

“Distribution System” means a system for distributing electricity, and includes any structures, equipment or other materials used for that purpose. A distribution system is comprised of the main system capable of distributing electricity to many Customers and the connection assets used to connect a Customer to the main distribution system;

“Distribution System Code” means the code, approved by the OEB, and in effect at the relevant time, which, among other things, establishes the obligations of a distributor with respect to the services and terms of service to be offered to Customers and Retailers and provides minimum technical operating standards of distribution systems;

“Distributor” means Hydro Ottawa Limited;

“Downtown” means the load electrically supplied within one of the following areas:

- City/NCC designated existing and future overhead to underground utility conversion zones as amended from time-to-time
- City/NCC designated no utility pad-mounted equipment zones
- City/NCC designated core area
- Formal underground electrical secondary buss system zones

Note that the City or NCC’s “Heritage” designation is subject to change from time-to-time;

“Economic Evaluation Model” refers to the evaluation used to determine the net servicing cost based on Hydro Ottawa’s standards for the Customer to which this applies. The Distribution System Code issued by the Ontario Energy Board (OEB) requires that a distributor perform such an evaluation to determine if the future revenue from the

customer(s) will pay for the associated capital cost and on-going maintenance costs of the system expansion and enhancement. The evaluation follows the methodology, the set of common elements and related assumptions provided in [Appendix B](#) of the Conditions of Service;

“Electrical Safety Authority” (ESA) means the person or body designated under *the Electricity Act, 1998*, regulations as the Electrical Safety Authority;

“Embedded Generator” or “Embedded Generation Facility” means a generation facility that is not directly connected to the IESO-controlled grid, but instead is connected to a distribution system;

“Embedded Retail Generator” means an Embedded Generator that settles through a distributor’s retail settlements system and is not a wholesale market participant;

“Emergency” means any abnormal system condition that requires remedial action to prevent or limit loss of a distribution system or the supply of electricity that could adversely affect the reliability of the electricity system. The electrical context of Emergency includes prevention of loss of life or property;

“Emergency Backup” means a generation facility that has a transfer switch which isolates it from the distribution system such that “Emergency Backup” can not be paralleled to the distribution system for safety, metering, and equipment damage reasons;

“Energy” means the product of power multiplied by time, usually expressed in kilowatt-hours (kWh);

“Energy Diversion” means the electricity consumption unaccounted for but that can be quantified through various measures upon review of the meter mechanism, such as unbilled meter readings, tap off load(s) before the revenue meter or meter tampering;

“Enhancement” means a modification to an existing distribution system that is made for purposes of improving system operating characteristics such as safety, reliability, or power quality or for relieving system capacity constraints resulting, for example, from general load growth. Enhancement made to the existing system of stations, feeders and distribution lines that while not specifically attributable to the new Customer connection, is required to assure that the system has the capacity and reliability to provide for future connections. Enhancement applies to “Off-Site” assets;

“Expansion” means an addition to a distribution system in response to a request for additional Customer connections that otherwise could not be made. An example is increasing the length of the distribution system to connect a Customer, or a limited number of Customers. Expansion of the system may not provide any general improvement of reliability or capacity to the Hydro Ottawa system. Expansion applies to either “Off-Site,” or “On-Site” assets;

“E&USA” means the Electrical and Utility Safety Association of Ontario, a member driven organisation working to prevent injuries, by as one example, standardizing the utility work

protection code across Ontario. www.eusa.on.ca

“Generator” means an “Embedded Generator” or “Embedded Retail Generator;”

“Good Utility Practice” means any of the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Good utility practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practice, methods, or acts generally accepted in North America;

“Holiday” means a Saturday, Sunday, statutory holiday, or any day legally defined in the Province of Ontario;

“House Service” or “Public Service” or “Common Element” means that portion of the electrical service in a multiple unit occupancy facility that supplies electrical loads shared by or benefit more than one unit. Examples of such loads are space heaters, central air conditioners, central ventilating units, pools, laundry facilities, lighting (for parking lots, sign service, corridor and walkway), electric water heaters, dry-core transformer losses, etcetera.);

“Hydro Ottawa Approved Contractor,” is a “Hydro Ottawa Qualified Contractor” that Hydro Ottawa has additionally evaluated for satisfactory safety practice and financial stability;

“Hydro Ottawa Qualified Contractor” means a Hydro Ottawa deemed competent person as evaluated for quality and craftsmanship in the specific type of work they would be hired to do by Hydro Ottawa or a third party. Refer also to “Hydro Ottawa Approved Contractor;”

“Infill Service” means any service (e.g. rural or urban) installed which was not part of a pre-planned subdivision or a service that was installed five years or more after the pre-planned subdivision has had the primary electrical installation “Substantially Completed.” After November 1, 2005, all connection cost agreements prior to local Hydro Amalgamation are finished and all infill connection costs shall be as per these Conditions of Service. When a Customer requests a designated transformer (i.e. Not shared with other customers), it will be installed on private property and actual cost applied inclusive of the basic credit;

“Interval Meter” means a device that measures and records electricity energy use (kilowatt-hour, kWh), and the rate at which it is used (demand – kW, kVA, or kQ as installed) on an hourly or sub-hour basis;

“Isolation / Re-energization” means a customer initiated “Disconnection / Reconnection,” or separation from sources of dynamic energy for the purpose of the Customer doing work on or near electrical apparatus. Isolation may include de-energization of the electrical equipment. re-energization means the reconnection of the source of dynamic energy to the load once work on or near the electrical apparatus is complete;

“Licensed Area” means “Service Area;”

“Lies Along” means a Customer property or parcel of land that is directly adjacent to or abuts onto the public road allowance where Hydro Ottawa has distribution facilities of the appropriate voltage and capacity. Thus, the premise can be connected without Expanding or reinforcing the distribution system;

“Load” means any device (i.e. equipment, apparatus) or a collection of devices that rely on electricity to function;

"Maintenance" means any inspection, testing, cleaning, torquing, adjusting, and calibrating electrical equipment, or replace support structures associated with the electrical system but no electrical betterments;

“Measurement Canada” means the Special Operating Agency established in August 1996 by the Electricity and Gas Inspection Act, 1980-81-82-83, c. 87., and Electricity and Gas Inspection Regulations (SOR/86-131);

“Meter Installation” means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, meters, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment;

“Meter Socket” means the mounting device for accommodating a socket type revenue meter;

“MIST meter” means an interval meter from which data is obtained and validated within a designated settlement timeframe. MIST refers to “Metering Inside the Settlement Timeframe; (RSC, DSC);

“MOST meter” means an interval meter from which data is only available outside of the designated settlement timeframe. MOST refers to “Metering Outside the Settlement Timeframe (RSC, DSC);

“NCC” is the National Capital Commission;

“Offer to Connect” means provision of details to the Customer, on the requirements to get connected to the distribution network, as specified in the [DSC](#) Section 3.2 “Expansions;”

“Off-Site” means beyond the supply point just outside the Customer owned property;

“On-Site” means from the supply point into the Customer owned property;

“Ontario Energy Board” or “OEB” means the Ontario regulator of the electricity and natural gas sectors in the public interest under the mandate and authority of the [Ontario Energy Board Act, 1998](#), [the Electricity Act, 1998](#), plus other provincial statutes. Their website is www.oeb.gov.on.ca ;

“[Ontario Energy Board Act](#)” means the [Ontario Energy Board Act, 1998](#), S.O. 1998, c.15, Schedule B, as amended from time to time;

“Operational Demarcation Point” means the physical location in which a distributor’s responsibility for operational control of distribution equipment, including connection assets, ends and the Customer’s begins;

“Ownership Demarcation Point” means the physical location at which a distributor’s ownership of distribution equipment, including connection assets, ends and the Customer’s begins. Specific equipment belonging to the distributor may be within the Customer’s ownership side of the demarcation point as defined by the Ontario Electrical Distribution Safety Code;

“Person” means an individual, partnership, corporation, association, or other incorporated or unincorporated organization or legal entity;

“Point of Supply” see “Supply Point” definition;

“Power Line Carrier” means the use of existing electricity wire infrastructure to carry voice and data signals by transmitting high frequency data signals through the electric power lines;

“Premise” means the building or portion of a building that is provided with electricity through a single meter;

“Primary Service” means any service which is supplied with a nominal voltage > 750 volts;

“Primary Voltage” means any voltage between 750 volts and 50,000 volts;

"Private Road" means any street, road, lane or other means of vehicular access to or egress from buildings, lots or units that are not owned by the City, and thus does not conform to approved road cross-sections acceptable to Hydro Ottawa;

“Public Service” means “House Service” or “Common Element;”

“Rate” means any financial rate, charge or other consideration, and includes a penalty for a late payment;

“Regular Business Hours” are between 8:00 a.m. and 4:00 p.m. excluding holidays;

“Regulations” means the regulations made under the *Act* or *The Electricity Act, 1998*;

“Residential Underground Subdivision” means a residential area with three or more homes electrically supplied from an on-grade mini-pad transformer(s), transformer kiosk(s), transformer sidewalk vault, or secondary pedestal(s) by underground secondary cables;

“Residential Service” means a service that is less than 50kW supplied to single-family, semi-detached, or duplex dwelling, and that is for domestic or household use;

“Retail Settlement Code” means the code approved by the OEB and in effect at the relevant time, which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among Retailers and Customers. It also provides for tracking and facilitating Customer transfers among competitive Retailers;

“Retailer” means a person who;

- a) Sells or offers to sell electricity to a Consumer; or
- b) Acts as an agent or broker for a Retailer with respect to the sale or offering for sale of electricity; or
- c) Acts or offers to act as an agent or broker for a Consumer with respect to the sale or offering for sale of electricity;

“Right-of-Way” or “Road Right-of-Way” or “Road Allowance” means, generally, the band of land between private property lines that has been set aside by a government for public use and access for the purpose of travel, or utility use and access, for example, traffic signs, traffic signals, and utility services;

“Seasonal Service” means a single service to one specific property to service a single-family dwelling unit (single-phase and not more than 200 A) on a supporting foundation or slab for domestic or household purposes and occupied seasonally or periodically. This seasonal service shall be disconnected/reconnected at the meter base for such dwellings as cottages, chalets, and cabins. Disconnection for greater than six months shall require re-inspection by ESA before reconnection. All other services of similar nature (ex. general services) are defined as temporary;

“Secondary Service” means any service that is supplied with nominal voltage not more than 750 volts;

“Service Area” or “Licensed Area” means, with respect to a distributor, the area in which the distributor is authorized by its license to distribute electricity;

“Service Date” means the date that the Customer/Consumer and Hydro Ottawa mutually agree upon the permanent energization by Hydro Ottawa for billing purposes;

“Service Size” or “Service Entrance Size” means the maximum deliverable amperes allowed to an installation as determined by the continuous ampere rating of the main device (breaker or switch). The over-current protection (such as the fuse or relay) installed in the main device may be less than the service size;

“Smart Meter” means a device that measures only electrical energy use (kilowatt-hours, kWh) on an hourly or sub-hourly basis and is part of an integrated data management system. The meter records, stores and transmits date- and time-stamped meter readings to a utility’s computer to process the data for Time-of-Use billing and customer presentment. Smart meters may also include other capabilities and features to aid in load management and energy conservation.

“Standard Supply Service Code” (SSS) means the code approved by the OEB and in effect at the relevant time, which, amongst other things, establishes the minimum conditions that a

distributor must meet in carrying out its obligations to sell electricity under Section 29 of [the Electricity Act](#);

“Sub-Service” means a separately metered service that is taken from the main building service;

“Substantially Complete” means the Hydro Ottawa primary distribution supply to the area has been energized;

“Supply Point” or “Point of Supply” means the Customer connection point, for both primary and secondary services, to the Hydro Ottawa distribution system. This might be located at an underground cable chamber, vault, pole, or pad-mounted device. This electrical supply location might be located on an adjacent property from which Hydro Ottawa has land access rights. With respect to an Embedded Generator, “Supply Point” means the connection point where electricity produced by the generator is injected into a distribution system. In all cases, Hydro Ottawa will designate the final supply point;

“Support Structure” means any equipment that physically supports and routes the distribution system between the substation and the Customer. This would include poles, overhead platforms, towers, anchors, guy wires, lashing messengers, underground cable chambers, transformer & switch bases, and ducts;

“Temporary Service” has two meanings with Hydro Ottawa. For the Conditions of Service, it means an ESA inspected electrical service granted temporarily for a period of less than (1) year for purposes such as pole mounted service equipment, construction sites, trailers, cranes, boathouses, or special events. The default temporary service is defined as single phase, not more than 200A service that lies along an existing electrical distribution system and existing required transformation. The second meaning of “Temporary Service”, and outside the context of the Conditions of Service, is when a temporary service conductor is provided by Hydro Ottawa for a faulted underground secondary conductor. This temporary service conductor will be removed by Hydro Ottawa as soon as seasonally possible to effect repairs or replacement to the normal permanent service conductor;

“Un-metered Loads” means electricity consumption that is not metered and is billed based on estimated usage and its load profile if it can be determined. These small services are 120 volts and not more than 15A, with the exception of traffic signals and street lighting if they are operated and maintained by a public road authority, and the load is not more than 100A. Un-metered services are not included in Hydro Ottawa’s Customer count as submitted to the Ontario Energy Board and are therefore not subject to the service quality measures or the minimum standard guidelines included in the Distribution System Code;

“Upstream Cost” means a per kilo-watt enhancement cost estimate for the improvement of the distribution system including stations based on a historical three to five-year rolling average of the actual enhancement costs incurred in system expansions;

- In new residential or commercial servicing, the amount is based on the full service size.
- In upgraded residential or commercial servicing, the amount is based on the capacity in excess of the former service size.

Appendix A – Load Summary Form

The most current version of this form is found on Hydro Ottawa’s website (see [Section 1.5](#)) or by hyperlink to [Appendix A: Load Summary Form](#).

Appendix B: Economic Evaluation Model for Distribution System Expansion/Enhancement

This costing method applies to all new servicing not covered by [Appendix G](#) that necessitates an expansion and/or enhancement of the Hydro Ottawa system. To support the costs of supplying the additional load, capital contributions will be required from new Customers who connect to the system. This model follows the requirements of chapter three (3) and the suggested formula from Appendix "B" of the [OEB's Distribution System Code](#) with Hydro Ottawa amendments detailed below.

“Present Value” of Annual Wires Revenue and Annual Incremental O & M (including all applicable taxes and third party costs) is typically taken over 25-years for residential and 15-years (subject to review depending on nature of development) for general service.

The Customer shall pay any additional costs beyond what is expected for a specific expansion or enhancement project under normal circumstances . Such abnormal circumstances include, yet are not limited to, work in a contaminated, heritage, or archaeological area, or where there is a request or a need to apply significantly higher construction or reliability standards above Hydro Ottawa's.

For primary serviced commercial projects, the servicing costs beyond the supply point specific to the project are recovered at 100% and not considered in the Economic Evaluation Model.

Appendix C: INSTALLATION & MAINTENANCE AGREEMENT

The most current version of this agreement is found on Hydro Ottawa's website (see [Section 1.5](#)) or by hyperlink to [Appendix C: Installation & Maintenance Agreement](#)

Appendix D: Standard Application and Contract for Connection or Upgrade of an Electrical Service

The contract is implied (see Section 2.1.7.2 “Implied Contract”).

Appendix E: Contracts and Applications for Connecting a Generator to the Local Distribution System

The most current version of this application is found on Hydro Ottawa's website (see [Section 1.5](#)) or by hyperlink to [Appendix E: Application to Connect A Generator](#)

Appendix F: Table A Primary Service Supply – Overhead Primary Line (radial and dual radial)

Primary Service Supply – Overhead Primary Line (radial and dual radial)

	Distribution Voltage (kV)						
	4.16	8.32	13.2 Distr.	13.2 Sub-Tr	27.6	27.6	44
Maximum 3Ø Primary Circuit Supply (kVA)	300 (Note 1)	1,000 (Note 1)	1,500 (Note 1)	8,000 (Note 1)	9,000 (Note 1)	6,000 (Note 1)	15,000 (Note 1)
Maximum 1Ø Primary Circuit Supply (kVA)	100	167	167	0	167	167	0
Type of Supply (radial/looped)	radial	radial	radial	loop (Note 2)	radial	loop (Note 2)	radial
Type of Transformer (Padmount or Vault)	Pad/Vault	Pad/Vault	Pad/Vault	Pad/Vault	Pad/Vault	Pad/Vault	Pad/Vault
Max Size of Hydro Ottawa Supplied 3Ø Transformer per Customer per Primary Circuit (kVA) (Note 5 & 7)	300 (Note 1)	1,000 (Note 1 & 3)	1,500 (Note 1 & 3)	1,500 (Note 1,3, & 8)	2,500 (Note 1,3, & 8)	2,500 (Note 1,3, & 8)	15,000 (Note 5)
Max Size of Hydro Ottawa Supplied 1Ø Transformer per Customer per Primary Circuit (kVA) (Note 5 & 7)	100 (Note 1)	167 (Note 1 & 4)	167 (Note 1 & 4)	0	167 (Note 1&4)	167 (Note 1 & 4)	0

Notes:

1. The provision of 3-phase service from an Underground Feeder will only be allowed in areas where the distribution system can accommodate the proposed service. Contact Hydro Ottawa to discuss your requirements.
2. A loop is defined as two supplies to one or more devices.
3. Maximum pad-mount transformer size @ 120/208 volts is 500 kVA.
4. Availability of pad-mount transformers is restricted within specific areas of the urban core.
5. The Customer shall own any non-Hydro Ottawa standard size transformer.
6. Maximum Motor Size for starting current on each primary circuit is determined by Hydro Ottawa Power Quality Guideline [ECG0008](#) (applicable to each service)
7. Hydro Ottawa's overhead design guideline limits the maximum size of a transformer(s) on a pole.
8. For installations greater than 4,500 kVA, multiple banks are required.

Appendix F: Table B Primary Service Supply – Underground Feeder

Primary Service Supply – Underground Feeder

	Distribution Voltage (kV)				
	4.16	8.32	13.2 Distr.	13.2 Sub-Tr.	27.6
Maximum 3Ø Primary Circuit Supply (kVA)	300 (Note 1)	1,000 (Note 1)	1,500 (Note 1)	8,000 (Note 1)	9,000 (Note 1)
Maximum 1Ø Primary Circuit Supply (kVA)	100	167	167	0	167
Type of Supply (radial/looped)	loop (Note 2)	loop (Note 2)	loop (Note 2)	loop (Note 2)	loop (Note 2)
Type of Transformer (Pad-mount or Vault)	Vault	Pad/Vault	Pad/Vault	Pad/Vault	Pad/Vault
Max Size of Hydro Ottawa Supplied 3Ø Transformer per Customer per Primary Circuit (kVA) (Note 5)	300 (Note 1)	1,000 (Note 1 & 3)	1,500 (Note 1 & 3)	1,500 (Note 1, 3, & 7)	2,500 (Note 1, 3, & 7)
Max Size of Hydro Ottawa Supplied 1Ø Transformer per Customer per Primary Circuit (kVA) (Note 5)	100 (Note 1)	167 (Note 1 & 4)	167 (Note 1 & 4)	0	167 (Note 1 & 4)

Notes:

1. The provision of 3-phase service from an Underground Feeder will only be allowed in areas where the distribution system can accommodate the proposed service.

Contact Hydro Ottawa to discuss your requirements.

2. A loop is defined as two supplies to one or more devices.
3. Maximum pad-mount transformer size @ 120/208 volts is 500 kVA.
4. Availability of pad-mount transformers is restricted within specific areas of the urban core.
5. The Customer shall own any non-Hydro Ottawa standard size transformer.
6. Maximum Motor Size for starting current on each primary circuit is determined by Hydro Ottawa Power Quality Guideline [ECG0008](#) (applicable to each service)
7. For installations greater than 4,500 kVA, multiple banks are required.

Appendix G: Methodology for Standard Fees for Various Services

G-0: General Notes and Guidelines when using Appendix G

1. Refer to the Glossary for the definitions, especially “Basic Credit,” “Basic Connection,” “Cost,” and “Upstream Cost.”
2. Appendix G applies to infill development, service upgrades, and special services where the Economic Evaluation Model ([Appendix B](#)) does not apply. For new subdivisions, cost is subject to the outcome of the Economic Evaluation Model inclusive of the basic credit.
3. Appendix G may be applied wherever a particular service voltage and size is available. However, Hydro Ottawa has design standards and the municipalities have by-laws that limit the availability of some types of services in parts of the service area. For example, an overhead service is not available in all underground areas, and 400A services are not available all overhead areas.
4. For new infill residential services (i.e. new services in an area where the electrical system is already established), a basic overhead 100A service up to 30m in length will be provided as the standard basic service and thus at no additional cost as the cost is included in the Hydro Ottawa portion of the electricity (non-commodity) rates. However, for other service sizes or for underground services, there will be a fee based on the cost of such a service less the value of a standard basic overhead service. There is no equivalent arrangement for commercial services; a new infill commercial customer pays the full cost of their service regardless of the service size.
5. A service upgrade means a change from one service size to another, a relocation of a meter from one location to another, a change of service from overhead to underground, or other electrical improvements such as a change in wiring or electrical equipment. Note that there may be fees even when the size of the service is reduced. No deduction for the standard basic overhead service applies in the case of upgrades to existing services because the services are deemed to have received this deduction already.
6. Fees apply to the full rating of the main switch (e.g. 100 A, 200 A, etc.) and not to the installed protection that could be of smaller size.
7. For a quote, contact Hydro Ottawa’s Service Desk (see [Section 1.5 “Contact Information”](#)). Hydro Ottawa will assess final servicing and cost based on this Conditions of Service document including Appendix G.
8. Materials cost estimates are based on a five-year rolling average inventory cost, except where a new stock item is added, non-stock item is bought, or cost dramatically increases.

9. When a dedicated transformer supplies a Customer on private property, the Customer shall pay the actual costs less, if a residential service, the basic credit.
10. Provision of material:
 - Residential services < 400A: Hydro Ottawa provides and installs standard conductor up to 30m of either OH or UG wire at no extra cost. The Customer pays for lengths in excess of 30m.
 - All other services \geq 400A, and all Commercial services: Customer provides and installs electrics and civil at their cost for Hydro Ottawa to connect.
11. All fees will be quoted excluding GST though GST will apply to the final total cost.
12. Quotes expire after 90-calendar days after date of issue.

Contact Hydro Ottawa's Service Desk for a quote (see [Section 1.5 "Contact Information"](#)).

G-1: Methodology for Standard Fees for Various 120/240V Service Connections

G-1.1 Residential Infill – Basic Connection Fees

The basic residential service size is 100A, 120/240V supplied overhead. However, refer to the Glossary ([Section 4.0](#)) for the definition of the “basic connection.” Underground supply and services greater than 100A are available for a fee equivalent to the difference in cost to the basic connection. Reference should be made to [Section 3.1 “Residential”](#) for service requirements, and the Glossary for the definition of “Infill.”

Available service sizes at 120/240V are as follows:

- Overhead: 100A (basic service), and 200A
- Underground: 100A, 200A and 400A

For a quote, contact Hydro Ottawa’s Service Desk Hydro Ottawa’s Service Desk (see [Section 1.5 “Contact Information”](#)).

a) New Residential Infill

The Fee is based on:

- Shared cost of transformation & secondary buss (based on main switch size), *plus* cost of 30m service wire and metering *less* basic credit
- *Plus* additional cost if exceeding 30m of service wire
- *Plus* upstream cost based on main switch size

Notes:

1. Cost of installing a service less than 100A is the same as for 100A.
2. The basic credit for new residential infill services contains the average amount for the enhancement distribution system and sub-station costs based on an average monthly electrical energy (kWh) usage per premise.
3. As each service is different, for simplification, the fees are based on an average burdened cost of servicing for labour, vehicle time, equipment use, and material that includes metering and, a share of the buss and transformer, plus enhancement impact (distribution network including stations).
4. The customer is responsible for the cost of the wire beyond the standard 30m -- overhead or underground -- service wire allowance.
5. The customer shall be responsible for the installation cost of civil works from the meter base to the supply point, including the installation of the meter base. The customer shall be responsible for the on-going operation and maintenance for the civil infrastructure within their property unless a specific written agreement indicates otherwise.
6. For 400A, or greater, underground infill and upgrade, the Customer supplies the service conductor. If the conductor is not to Hydro Ottawa standard, the Customer will retain

ownership and maintenance responsibilities, otherwise, Hydro Ottawa will assume ownership and maintenance (see 3.1.1 “Point of Demarcation”).

7. The transformer may be shared with several customers; the fee includes an averaged shared cost for the supplied transformation.
8. Cost of infill service in the downtown is higher than in the suburban areas as they include the cost for the distribution vault, the secondary buss, and duct.

b) Upgraded Residential Services

Upgrade means a change from one service size to another, a relocation of a meter from one location to another, a change in service from overhead to underground, etc. In every case, the existing meter and secondary conductor are removed by Hydro Ottawa, when possible, at no additional cost to the customer.

Credit for removed material, and the basic credit does not apply. Most old meters will not be re-used as the cost of testing nulls any residual value. Overhead wire (and underground wire when in duct) is removed with no fee.

As the basic credit was already given when the service was first installed, the cost is based as follows:

- If Capacity Increased (i.e. service size grew)
 - Shared cost of transformation & secondary buss (based on main switch size), *plus* cost of 30m service wire (as needed) and metering (as needed)
 - *Plus* additional cost if exceeding 30m service wire
 - *Plus* upstream cost for amount exceeding current service size
- If Capacity Not Increased (i.e. no service size change)
 - Cost of isolation / re-energization at either meter (less costly); standpipe; or padmount.

Notes:

1. For underground installations, the customer is responsible for the cost of the civil infrastructure from the supply point to the meter base, installation of the meter base (if applicable), wire beyond the standard 30m allowance including higher ampacity wire should the need arise.
2. For 400A service, or greater, underground infill and upgrade, the Customer supplies the service conductor. If the conductor is not to Hydro Ottawa standard, the Customer will retain ownership and maintenance responsibilities, otherwise, Hydro Ottawa will assume ownership and maintenance (see 3.1.1 “Point of Demarcation”).
3. For a 400A service, the fee includes an averaged shared cost for the supplied transformation.

G-1.15 Residential – Minor Upgrades

To qualify as “minor” secondary residential upgrades, three conditions apply:

1. The current Conditions of Service have been met;
2. Hydro Ottawa needs no material to do the work; and
3. There is no impact on Hydro Ottawa’s distribution network including stations.

Thus only a service isolation / re-energization (see G-1.3c Special Services) is needed. Typical examples of minor upgrades are:

1. Change from a fuse panel to a breaker panel with no Hydro Ottawa material or transformation required (sometimes requested by insurance companies);
2. Replacement of a damaged main switch with the equivalent ampacity rating;
3. Tie up damaged stand pipe only;
4. Mutual benefit for small upgrades that both the Customer and Hydro Ottawa would better their situation and no conductor or significant transformation by Hydro Ottawa is needed;
5. Rewire of a premise without an increase in service size (so no Hydro Ottawa material or transformation needed)(sometimes requested by insurance companies).

Additional cost may apply if a crew is needed on overtime for these minor upgrades, or other job specific circumstances result in other recoverable fees.

To promote electrical safety, Hydro Ottawa will give each Customer one electrical service isolation / re-energization at no charge for doing non-electrical maintenance (i.e. no betterments, no upgrades, or wire changes). Conditions are that no ESA permit is needed, and this applies to an existing electrical service, during regular business hours once per property per rolling year. Examples of non-electrical maintenance include tree trimming, painting, siding, and brick pointing. Government emergency crews, while performing their duties, are exempt from the associated isolation and re-energization fees.

G-1.2 General & Commercial Service – Basic Connection Fees

The basic general & commercial service sizes are referenced in Sections [3.2.2 “Service Requirements.”](#) In all cases, the Customer supplies and installs the service conductor. The applicable fees are for transformation, metering and connection of the service by Hydro Ottawa. Reference should be made to [Section 3.2 “General Services”](#) for further requirements.

For a quote, contact Hydro Ottawa’s Service Desk (see [Section 1.5 “Contact Information”](#)).

Available service sizes are at 120/240V as follows:

- Overhead: 100A, and 200A
- Underground: 100A, 200A and 400A

a) New Commercial Infill

The fee is based on:

- Shared cost of transformation & secondary buss (based on main switch size), *plus* cost of metering

- *Plus* upstream cost based on service size

The Customer shall provide and install all electrical works and civil infrastructure for the service from the supply point, plus the connection costs.

Notes:

1. Cost of installing a service less than 100A is the same as for 100A.
2. As each service is different, for simplification, the fees are based on an average burdened cost of servicing for labour, vehicle time, equipment use, and material that includes metering and, a share of the buss, and transformer.
3. The customer supplies all civil infrastructure from the supply point to the meter base, and installation of the meter base.
4. For 400A underground infill and upgrades, the Customer supplies the service conductor.
5. For a 400A service, the fee includes an averaged shared cost for the supplying transformer.
6. The transformer is shared with several customers. A dedicated transformer is at an additional cost.
7. Cost of services in the downtown is higher than in the suburban areas as they include the cost for the vault, the secondary buss, and duct.

b) Upgraded Commercial Services

Reference should be made to [Section 4 "Glossary"](#) for the definition of "Upgrade." In every case, the existing meter is removed by Hydro Ottawa when possible, at no fee or credit to the customer. Most old meters will not be re-used or the cost of testing negates any residual value. In cases where the existing service can be re-used without change, consider them under the "free isolation/re-energization once a year" practice.

Upgrade commercial infill cost is based on:

- If Capacity Increased (i.e. main switch grew)
 - Shared cost of transformation & secondary buss (based on main switch size), *plus* cost of metering (as needed)
 - *Plus* upstream cost for amount exceeding current service size
- If Capacity Not Increased (i.e. no main switch change)
 - Cost of isolation / re-energization at either the meter socket (less costly); standpipe or padmount; or relocated service.

G-1.3 Special Services – 120V/240V Basic Connection Fees

In all cases, the Customer supplies and installs the service conductor. The applicable fees are for transformation, metering and connection of the service by Hydro Ottawa.

For a quote, including for situations not covered here, contact Hydro Ottawa's Service Desk (see [Section 1.5 "Contact Information"](#)).

a) Temporary Services

Reference should be made to [Section 4 "Glossary"](#) for the definition of "Temporary Service." The basic temporary service is an installation up to 200A, 120/240V, single-phase overhead that lies along where no transformation or secondary buss upgrade is needed. In this case, the cost will be based on:

- Connection and metering installation costs *plus* removal cost.

The Customer shall provide and install the wire at their cost to Hydro Ottawa's standards for Hydro Ottawa to make connections.

For non-basic temporary services <400A, 120/240V, the cost will be based on:

- Connection cost *plus* transformer rental fee (1/3rd of transformer cost for a minimum of 12-months paid in advance) *plus* delivery *plus* full metering cost *plus* removal cost

The transformer fee is based on the five-year average rolling stock cost for an average group of transformers within a similar transformation class. There is no charge for the transformer rental when the transformer is paid for & used as the permanent development transformer.

Transformer rental is monthly on the energy bill after the first 12-months.

b) Un-metered Services

The fee is based on:

- Connection costs *plus* expansion costs.

The Customer provides and installs all their materials including their wire. Any expansion cost is at the Customer's expense.

When more than one service connection can be made within close proximity of each other, and during the same service call, the connection costs will be based on time-and-material.

c) Isolation/ Re-energization

Three fees would apply, in increasing order of cost, each based on work done by regularly scheduled staff:

- (1) For when a meter technician simply isolates/re-energizes the service via the socket meter base only;
- (2) For when a two-person line crew isolates/re-energizes at the standpipe only, with or without material; and
- (3) For when a two-person line crew isolates/re-energizes at a pad-mount device.

G-1.4 Residential – Basic Meter Fees

When more than one meter is needed at a premise in an existing gang meter base/ splitter trough of a meter centre by a meter technician already on site (thus no additional travel time needed), the fees

described below will apply.

The available meter services are as follows:

- 120/240V (100A, or 200A);
- 208 V, 2-phase, network meter (100A, or 200A);
- 120/240V (100A, or 200A), not installed.

The metering fee is based on:

- Meter installation cost including meter material.

As they will be making the connection, Power Line Maintainers (PLM) will install meters <400A or at 400A when instrumentation transformers are not needed. However, Meter Technicians install meters for services \geq 400A or where instrumentation transformers are needed.

Presently, the Smart Meter material cost is recovered through the rates (except for temporary services) until such time as the meter exchange program with Smart Meters ends (projected for 2010).

G-2: Methodology for Standard Fees for Various 347/600V Service Connections

G-2.1 Reserved

G-2.2 General & Commercial Service – Basic Connection Fees

In all cases, the Customer supplies and installs the service conductor. These fees are for transformation and connection of the service by Hydro Ottawa. For metering costs, see G-2.4.

Available service sizes are at 347/600V as follows:

- Overhead: 100A, 200A;
- Underground: 100A, 200A or 400A.

For dedicated 200A & 400A underground services in the downtown, additional fees will apply for the vault, the secondary buss and duct.

G-2.3 Special Services – 347V/600V Basic Connection Fees

In all cases, the Customer supplies and installs the service conductor. These fees are for transformation and connection of the service by Hydro Ottawa. For metering cost see G-2.4. For situations not covered by this table, contact Hydro Ottawa for an estimate.

a) Temporary Services

Reference should be made to [Section 4 "Glossary"](#) for the definition of "Temporary Service." In this case, the cost will be based on:

- Connection and metering installation costs *plus* removal cost.

The Customer shall provide and install the wire at their cost to Hydro Ottawa's standards for Hydro Ottawa to make connections.

For non-basic temporary services where transformation is needed or the service size is $\geq 400A$, the cost will be based on:

- Transformer rental fee (1/3rd of transformer cost for a minimum of 12-months paid in advance) *plus* all installation and removal work costs on time & material

The transformer fee is based on the five-year average rolling stock cost for an average group of transformers within a similar transformation class. The transformer rental charge is waived when the Customer buys the transformer to service the same development.

Transformer rental is billed monthly after the first 12-months.

b) Un-metered Services

Not available.

c) Isolation/ Re-energization

Refer to G-3.1 "Primary Maintenance Shutdown Fees," and G-3.2 "Vault Access Fees."

G-2.4 Commercial – Basic Meter Fees

When extra meters are added to a gang meter base/ splitter trough of a meter centre by a meter technician already on site (thus no additional travel time needed).

The meter services available are as follows:

- 120/240 V, kWh meter (30/60A, 100A, or 200A);
- 208 V, 2-phase, network kWh meter (30/60A, 100A, or 200A);
- 208 V, 3-phase, 4-wire kWh meter (30/60A, 100A, 200A, or 400A – for temporary services only);
- 347/600 V, 3-phase, 4-wire kWh meter (30/60A, 100A, 200A, or 400A – for temporary services only);
- 600 V, 3-phase, 3-wire kWh meter (30/60A)
- 600 V, 3-phase, 3-wire, kW meter (100A, or 200A);
- 600 V, 3-phase, 3-wire, kVA meter (100A, or 200A);

The metering fee is based on:

- Meter installation cost including meter material.

As they will be making the connection, Power Line Maintainers (PLM) will install meters <400A or at 400A when instrumentation transformers are not needed. However, Meter Technicians install meters for services $\geq 400A$ or where instrumentation transformers are needed.

Presently, the Smart Meter material cost is recovered through the rates (except for temporary services) until such time as the meter exchange program with Smart Meter ends (projected for 2010).

G-3: Methodology for Standard Fees for Miscellaneous Services

G-3.1 Primary Maintenance Shutdown Fees

Hydro Ottawa considers a primary maintenance shutdown as the electrical isolation from Hydro Ottawa's primary voltage supply so the Customer can maintain the electrical equipment. Shutdown details and primary equipment maintenance details can be found in Hydro Ottawa procedure [VIS0001](#). Typical primary customer owned enclosures and devices that Hydro Ottawa would isolate are vaults, unit substations, pad-mounted switching centres and pad-mounted transformers.

A Customer is allowed one primary maintenance shutdown (isolation and re-energization) at no charge per location, per rolling twelve-months for the purpose of servicing their own primary voltage equipment. These shutdowns (isolation and re-energization) shall begin and end during regular business hours.

Each additional isolation and re-energization, or for other options such as isolation and re-energization for non-primary maintenance, the fees are based on the following:

a. During Regular Business Hours

We will attempt to be available for the scheduled isolation and re-energization; however, crews may be called to address distribution system reliability issues. Thus, a specific isolation or re-energization time is not guaranteed.

The fee is based on:

- i. Labour, travel time, and vehicle and equipment cost for isolation/ re-energization.

b. Outside Regular Business Hours

We will attempt to be available for the scheduled isolation and re-energization; however, crews may be called to address distribution system reliability issues. Thus, a specific isolation or re-energization time is not guaranteed.

Same as "During Regular Business Hours" except at overtime labour rates.

c. Dedicated Hydro Ottawa Crew

This service is offered at anytime. The crew arrives on the scheduled time, and stays on site through the whole isolation and re-energization period. Actual cost is billed to the requesting Customer.

Any other Customer requests for primary isolation from Hydro Ottawa's distribution system will be quoted on a case-by-case basis.

For further information, or for scheduling, contact the Hydro Ottawa Vault Coordinator through the main telephone number (see [Section 1.5 "Contact Information"](#)).

G-3.2 Vault Access Fees

Customers requiring vault access for the purposes of fire alarm testing, ventilation checks and testing, contractor supervision, Customer inspections, or other non-primary equipment related work, may contact Hydro Ottawa to schedule a visit.

A minimum of one-week advance bookings is required for vault access and is subject to availability.

Hydro Ottawa's fees for site visits for vault access for durations not exceeding two (2) hours are as follows:

a. During Regular Vault Access Hours

The fee is based on:

- i. Labour, travel time, and vehicle and equipment cost for isolation/ re-energization.

b. Outside Regular Vault Access Hours

Same as "During Regular Vault Access Hours" except at overtime labour rates.

Regular vault access hours are defined as Monday to Friday between 7:30 a.m. and 3:30 p.m., excluding holidays. Overtime rates apply outside these regular vault access hours.

Hydro Ottawa will prepare an estimate in advance for any site visits for vault access of a duration exceeding two (2) hours.

For further information, or for scheduling, request the Hydro Ottawa Vault Coordinator (see [Section 1.5 "Contact Information"](#)).

G-3.3 Deliberate Unauthorized Energy Usage Fee

As per [Section 2.2](#) of Hydro Ottawa's Conditions of Service, Hydro Ottawa reserves the right to isolate or disconnect the supply of electricity to a Customer for causes not limited to safety concern, energy diversion, fraud or abuse on the part of the Customer, or when ordered by law.

The Customer shall pay the cost for isolation and re-energization initiated by deliberate unauthorized energy usage.

Additional to the above fee, the Customer shall also pay for all unauthorized energy usage (with late payment interest as per [Section 2.4.5.2](#) of the Conditions of Service) calculated by Hydro Ottawa and any costs to repair or remove Hydro Ottawa distribution assets.

Re-inspection by ESA shall be completed and Hydro Ottawa shall have received full payment before the service is reconnected.

The isolation/re-energization fee in this case is based on recovery of Hydro Ottawa's immediate out-

of-pocket expenses such as labour, damages and energy usage; not potential future legal or court fees that may be applied separately as the case may arise. The isolation/re-energization calculations are based on isolation outside regular business hours and re-energization during regular business hours.

The total labour hours are based on an average for similar fieldwork. This timing also includes the follow-up time that our Service Layout Coordinators contribute to each event.

Appendix H: Rate Schedule

For latest approved OEB rates, see Hydro Ottawa website (see [Section 1.5 “Contact Information”](#)).

Appendix I – Pre-amalgamation Ownership Demarcation Points Between Local Hydro and Customer

This table applies where a specific ownership demarcation agreement does not exist with the Customer for the specific location.

Commercial							
Electrical Supply onto customer's property	Notes Applicable to All	Utility					
		Ottawa	Gloucester	Nepean	Kanata	Goulbourn	Casselman
		Utility Specific Notes					
Primary (>750V)							
Overhead	① ③ ④ ⑦ ⑩ ❶	--	--	--	--	--	--
Overhead – Customer Owned Station	⑤ ⑦ ⑩ ❶	--	--	--	--	--	--
Underground – Vault	① ② ③ ⑩	+⑥	+⑨	+⑩ ⑦	+⑥	+⑤ ⑦	+⑤ ⑦
Underground – Padmount	① ② ③ ⑩	+⑥	+⑨	+⑩ ⑦	+⑥	+⑤ ⑦	+⑤ ⑦
Underground – Customer Owned Station	② ③ ⑩	+⑥	+⑨	+⑤ ⑦	+⑥	+⑤ ⑦	+⑤ ⑦
Secondary (≤ 750V)							
Underground	① ③ ⑦ ⑧ ❶	--	--	--	--	--	--
Overhead	① ③ ⑤ ⑦ ❶	--	--	--	--	--	--
Residential							
Electrical Supply onto customer's property	Notes Applicable to All	Utility					
		Ottawa	Gloucester	Nepean	Kanata	Goulbourn	Casselman
		Utility Specific Notes					
Primary (>750V)							
Underground	① ② ❶	+⑥	+⑤	+⑤	+⑥	+⑤	+⑤
Overhead							
Secondary (≤ 750V)							
Underground	① ② ❶	+⑥	+③ ⑤ ⑦	+③ ⑤ ⑦	+⑥	+③ ⑤ ⑦	+③ ⑤ ⑦
Overhead	① ③ ⑤ ⑦ ❶	--	--	--	--	--	--

NOTES:

①	Hydro owned all primary electrical equipment on customer property.
①	Normally, Hydro owned the transformer and meters within the customer's ownership demarcation unless otherwise noted on file.
②	The Customer owned all non-standard Hydro wires (both residential and commercial), to the supply point.
③	If Hydro supplied other customers from a customer's property, Hydro required an easement unless there was a common element agreement between customers.
④	Customer owned up to the overhead primary fuse/cutout on/or closest to the road right-of-way / easement.
⑤	Hydro owned the electrical conductors up to the connection to the line side of the first electrical device/connection on the customer's property. For overhead secondary, this was typically the weather head connection.
⑥	Customer owned all equipment within the property line / outside the easement including all civil support structures excluding Items ① & ②. If a fault occurs on the supply cable, the customer's repair/replacement costs (or in-kind funding) is shared with Hydro Ottawa proportional to amount of cable inside versus outside of the customer's property.
⑦	The customer owned all civil support structures and grounding equipment on the customer's property. Hydro owned the support structures within the road right-of-way and on easements.
⑧	Customer owned the electrical conductors up to the hydro supply point connection (such as a pole, pad-mounted transformer, underground cable chamber).
⑨	Hydro owned underground ducts and all primary electrical equipment on customer property. The customer owned the vault civil structure, grounding equipment, and secondary conductors.
⑩	Customer owned all 44kV electrical equipment and civil support structures up to the hydro supply point (such as a pole, underground cable chamber) including transformers.
⓪	Excludes electrical supplies to other utilities' equipment; similar to Item ⑧.
❶	Excludes trailer parks.

Attached Drawings

The most current versions of drawings [ECGS0001](#), [ECS0002](#), [ECGS0003](#), [ECGS0004](#), [ECG0005](#), and [ECS0006 ECG0009](#) (formerly ECG0002) are found on Hydro Ottawa's website (see [Section 1.5](#)) or by hyperlink to [Commercial Design Specifications](#) or and [Residential Design Specifications](#).



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SERVICE QUALITY INDICATORS

Hydro Ottawa reports annually its service quality and service reliability metrics; that is, its service quality indicators. Hydro Ottawa did meet the minimum standards for all service quality indicators in 2005 and 2006.

Table 1 – Service Quality Indicators, 2005 and 2006

Service Quality Indicator	Minimum Standard	2005	2006
Connection of New Services – Low Voltage	90% or better	98.2%	98.9%
Connection of New Services – High Voltage	90% or better	100%	100%
Underground Cable Locates	90% or better	91.0%	98.5%
Appointments Met	90% or better	98.3%	99.9%
Telephone Accessibility (Telephone Service Factor)	65% or better	68.9%	72.0%
Written Response to Inquiries	80% or better	91.0%	99.1%
Emergency Response - Urban	80% or better	97.6%	96.2%
Emergency Response - Rural	80% or better	N/A	N/A
SAIDI (System Average Interruption Duration Index)	Within the range of performance over the previous 3 years	1.0901	1.5107
SAIFI (System Average Interruption Frequency Index)	Within the range of performance over the previous 3 years	0.9907	1.1888
CAIDI (Customer Average Interruption Duration Index)	Within the range of performance over the previous 3 years	1.1003	1.2708

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Although the reliability metrics are higher in 2006 than in 2005, they remain in the range of performance over the previous three years. Hydro Ottawa tracks reliability metrics throughout the year and uses the system performance information to direct maintenance activities and as input into the development of the Asset Management Plan's intermediary programs.



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LIST OF WITNESSES

Hydro Ottawa will file a list of its witnesses, by panel or otherwise, shortly after the Board approves and provides the Issues List for this proceeding. Hydro Ottawa proposes to provide a witness or a panel, as the case may be, for each issue or group of related issues.



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CURRICULA VITAE

The curriculum vitae of each witness will be filed at the same time as, or shortly after,
Hydro Ottawa's list of witnesses; see Exhibit A1-11-1.



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SUMMARY OF APPLICATION

3 **1.0 INTRODUCTION**

4
5 Hydro Ottawa is submitting a cost of service rate application, based on a forward test
6 year, for 2008 Electricity Distribution Rates. This application has been prepared in
7 accordance with the Board's Filing Requirements. The Board's *2006 Electricity*
8 *Distribution Rate Handbook* ("2006 EDR Handbook") was also used to guide certain
9 elements of the application, such as the grouping of accounts.
10

11
12 **2.0 SCOPE OF APPLICATION**

13
14 This application seeks approval for a 2008 service revenue requirement based on a
15 forecast for 2008 of Operations, Maintenance and Administration ("OM&A") expenses,
16 return on rate base, amortization expense and payments in lieu of taxes ("PILs"). For the
17 determination of the revenue requirement for distribution rates, the revenue from other
18 sources, referred to as other revenue, is subtracted from the service revenue
19 requirement and the credit provided to customers for transformer ownership is added
20 back.
21

22 For OM&A, capital expenditures and other revenue, Hydro Ottawa has grouped the
23 accounts in the manner described in Appendix A of the 2006 EDR Handbook. In
24 addition, OM&A expenses for Smart Meters have been separately identified.
25

26 The rate base is determined from an average of net book value ("NBV") of assets at
27 year-end 2007 and 2008, plus a working capital allowance. The return on rate base is
28 determined using the Board deemed capital structure as determined in the *Report of the*
29 *Board on Cost of Capital and Incentive Regulation* dated December 20, 2006 ("Board
30 Report on CoC and IRM"). The rate of return on equity ("ROE") and short-term interest
31 rates have also been determined in accordance with the Board Report on CoC and IRM.



1 The long-term debt rate is set at Hydro Ottawa's actual weighted average debt rate since
2 this value is lower than the deemed rate.

3
4 PILs have been determined using the same methodology as in the 2006 EDR
5 Handbook. Large Corporation Tax has now been eliminated and is therefore no longer
6 included in the calculation.

7
8 In the determination of rates, Hydro Ottawa has completed a new load and customer
9 forecast for 2008. The methodology used for this forecast has been revised from the one
10 used for the 2006 EDR Application. The new approach applies more rigorous statistical
11 modelling and includes weather correction. The methodology for forecasting is explained
12 in detail in Exhibit C1-2-1.

13
14 The application further seeks approval of the capital expenditures for 2009 and 2010 and
15 the resultant change in the NBV of assets in these years. These capital expenditures are
16 the basis for determining a capital adjustment factor that would be applied to Hydro
17 Ottawa's rates in those years in conjunction with the Board's 3rd Generation Incentive
18 Regulation Mechanism ("3GIRM").

19
20 Hydro Ottawa has included a detailed variance analysis between the Test Year (2008
21 Forecast) and the Bridge Year (2007 Estimate), the Bridge Year and the Historical Year
22 (2006 Actual), and the Historical Year and the Board-Approved Year (2006 Approved).
23 Justifications have also been provided for capital expenditures in each year and, in
24 addition, for 2009 and 2010.

25

26

27 **3.0 INCREASE IN REVENUE REQUIREMENT FOR 2008**

28

29 A detailed analysis of the drivers of the increase in revenue requirement is provided in
30 Exhibit G1-1-1. The main contributions to the increase in the revenue requirement are
31 described as follows:



- 1 • Continued investment in the distribution infrastructure results in a forecast growth
2 in the year-end NBV of assets between 2006 and 2008 of \$69M. This includes
3 investments related to the Asset Management Plan, capacity planning and new
4 distribution plant due to customer demand, general plant purchases and the
5 installation of Smart Meters.
6
- 7 • The increase for OM&A is largely due to a change in overhead costs and labour
8 being capitalized and, therefore, it is not related to an overall increase in
9 spending. This change is discussed in detail in Exhibit B1-3-1. Another significant
10 impact is related to workforce planning and the continuation of Hydro Ottawa's
11 apprenticeship program as discussed in Exhibit D1-5-2. Labour contracts and
12 material prices have also increased since 2006. Exhibit D1-1-3 and Exhibit D1-1-
13 4 provide a detailed analysis of the OM&A cost changes between 2006 and
14 2008.
15
- 16 • As part of the Smart Meter combined proceeding EB-2007-0063, the Board
17 determined the following at page 16: *"Many of the utilities suggested that at the*
18 *present time, the stranded costs associated with existing meters should stay in*
19 *rate base. The Board accepts this proposition. Utilities can, if they choose, bring*
20 *forward applications for the recovery of stranded costs in their 2008 rates."*
21 Based on this determination, Hydro Ottawa has included the cost of its stranded
22 meters in rate base; however, it has removed these meters from fixed assets for
23 the purposes of its audited financial statements.
24
- 25 • In addition, Hydro Ottawa is proposing that the amortization period for the cost of
26 these stranded meters be four years. This accelerated amortization allows the
27 cost of stranded meters to be recovered by April 30, 2012. This proposal results
28 in incremental amortization expense in the revenue requirement of \$3.2M above
29 the \$1.3M that would otherwise result from continuing to amortize the stranded
30 meters over 25 years; that is, a total amortization of \$4.5M for 2008. Hydro
31 Ottawa forecasts that, by the end of 2007, it will have accumulated stranded



1 meter costs requiring recovery of \$11.7M (the actual to June 30, 2007 is \$7.0M).
2 This proposal is described in more detail in Exhibit D3-1-1.

- 3
- 4 • Offsetting the increases in rate base, OM&A and amortization is a reduction in
5 the cost of capital due to the inclusion of short-term debt in the capital structure
6 and the lower rate of ROE calculated using the July *Consensus Forecast*. As
7 discussed in Exhibit F1-1-3, Hydro Ottawa expects that it will be instructed to
8 recalculate the ROE using the January 2008 *Consensus Forecast* once it
9 becomes available and this revised calculation will be used for the purpose of
10 determining the service revenue requirement.

11
12

13 **4.0 INCREASE IN REVENUE REQUIREMENT FOR 2009 AND 2010**

14

15 Hydro Ottawa has filed capital expenditures for 2009 and 2010 for the Board's approval.
16 The plans would be used as the basis for determining a capital adjustment factor to
17 apply to rates in 2009 and 2010 in conjunction with the Board's 3GIRM. The proposed
18 methodology for the capital adjustment factor is provided in Exhibit B4-1-1. The
19 adjustment factors of 0.0349 for 2009 and 0.0328 for 2010 would be applicable to the
20 capital portion of the base revenue requirement (59.9%) and would therefore increase
21 rates in 2009 and 2010 by 1.021 and 1.020 respectively. The exact adjustment factor
22 could change depending on the nature of the Board's final 3GIRM. Furthermore, the
23 capital adjustment factors do not include capital expenditures related to the Smart Meter
24 program.

25
26

27 **5.0 OTHER CHANGES AFFECTING RATES**

28

29 In addition to changes in the revenue requirement there are a number of other factors
30 that will impact the Delivery Charge on customer bills.

31



- 1 • Distribution rates will decrease as a result of clearance of the balances recorded
2 in certain deferral and variance accounts. On April 12, 2006, the Board gave final
3 approval for the recovery of regulatory assets. The final two years of recovery
4 end on April 30, 2008 and at that time the rate rider will drop off. Furthermore,
5 Hydro Ottawa is filing to clear the balances in certain deferral and variance
6 accounts accumulated to June 30, 2007. The balances proposed to be cleared
7 net to a \$4M credit to customers for the period May 1, 2008 to April 30, 2009 (i.e.,
8 the 2008 rate year).
9
- 10 • The Board's Decision on the 2006 EDR Application approved an amount of
11 \$0.6M for low voltage ("LV") charges. These are amounts that Hydro Ottawa
12 pays to Hydro One for shared distribution lines and stations. For the period from
13 July 2006 through June 2007, however, Hydro Ottawa paid \$1.4M to Hydro One
14 and recorded the variance in Account 1150 – LV Variance Account. Hydro
15 Ottawa is forecasting that the costs for 2008 will remain the same since there is
16 limited growth in the areas supplied by Hydro One's LV assets. Therefore, Hydro
17 Ottawa is seeking approval to increase the low voltage charges to customers to
18 \$1.4M. On June 13, 2006, the Board provided direction that LV charges and
19 revenues would be recorded in Accounts 4750 and 4075, respectively, and these
20 accounts are no longer part of distribution costs and revenue. Therefore, Hydro
21 Ottawa is seeking a new LV Services charge to recover the \$1.4M from
22 customers.
23
- 24 • Hydro Ottawa is also seeking recovery of the revenue deficiency resulting from
25 implementing rates four months into the Test Year when the revenue requirement
26 is calculated on the basis of forecasts for the entire Test Year. The revenue
27 deficiency is \$3.5M for the Deficiency Period (i.e. the first four months of the Test
28 Year). The derivation of the revenue deficiency is provided in Exhibit I1-3-2.
29



1 **6.0 RATE IMPACTS**

2

3 The total impact on the total electricity bill for the residential customer using 1,000 kWh
4 per month is 2.0%, including incremental funding related to the Smart Meter program,
5 the reduction in Regulatory Asset recovery and the effect of the separate LV Services
6 charge (0.2%) but excluding the revenue deficiency for the period January 1, 2008 to
7 April 30, 2008. Distribution rates would increase by 7.0%.

8

9 Hydro Ottawa proposes to recover the calendar year versus rate year revenue deficiency
10 by means of a rate rider. With this rate rider included, the impact on the total bill
11 increases to 2.7% (from 2.0%) and distribution rates to 9.7% (from 7.0%) for the
12 residential customer using 1,000 kWh per month.



REVENUE SUFFICIENCY/DEFICIENCY

The revenue sufficiency/deficiency for 2008 was calculated using the following inputs:

- 2007 approved rates, not including the Smart Meter rate rider,
- 2008 load forecast and forecast of customers and connections, as developed using the methodology described in Exhibit C1-2-1, and
- The base revenue requirement calculated as shown in Table 1 (details are provided in the model that is part of in Exhibit I1-3-1):

Table 1 – Revenue Sufficiency/Deficiency

	%	\$000
Rate Base		\$581,765
Cost of Capital	6.67	
Return on Rate Base		38,779
Distribution Expenses		59,328
Amortization		43,754
Payment in Lieu of Taxes		13,676
Service Revenue Requirement		155,537
Less Revenue Offsets		(7,586)
Base Revenue Requirement		147,951
Transformer Ownership Credit		1,159
TOTAL		\$149,110
Revenue at 2008 Load at 2007 Rates		123,915
Revenue Deficiency		(\$25,195)

A revenue deficiency of \$25,195,047 represents a required increase in distribution rates of 20.33%.



CAUSES OF SUFFICIENCY/DEFICIENCY

The causes of the revenue deficiency of \$25,195,047 are enumerated in Table 1. The references provide detailed explanations of the reasons for the deficiency.

Table 1 – Causes of Deficiency

CAUSE	Impact on Revenue Requirement \$000	Reference
Increase in Amortization Expense	(\$9,638)	B3-2-1 B3-2-2 B3-3-1 B3-3-2 B3-4-1 B3-4-2 B3-5-1 D3-1-1
Increase in Revenue Offsets	3,491	C2-1-4
Increase in OM&A Expenses	(15,151)	B1-3-1 D1-1-4
Increase in Return on Capital	(4,606)	B1-3-1 B3-2-2 B3-3-1 B3-3-2 B3-4-1 B3-4-2 B3-5-1
Change in Payment in Lieu of Taxes	(1,186)	D2-1-1 D2-1-2 D3-1-1
Moving Low Voltage Charges to Cost of Power	556	I1-4-1
Load Growth	1,340	C1-2-1
Total Deficiency	(\$25,195)	

Further discussion on the causes of the revenue deficiency can be found in Exhibit G1-1-1.



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BUDGET GUIDELINES

1.0 APPROACH

The following guidelines were provided to each senior manager in March 2007 to provide guidance in preparing their department budgets.

1.1 Base Budget

Departments are expected to prepare a base budget based on the targets provided below. This will be uploaded into JDE and reviewed on a gross basis prior to allocations (capital and internal). The base budget must be developed used zero-based budgeting. Results will be reviewed by a budget review committee, in detail, on a line-by-line basis for each department.

1.2 Additions to Base Budget

Departments may propose additions to the base budget with full justifications. These will be reviewed by the budget review committee to determine if they will be included in the budget.

**2.0 BASE BUDGET OPERATIONS, MAINTENANCE & ADMINISTRATION
("OM&A") TARGETS**

Target Gross OM&A before Conservation and Demand ("CDM") at 2007 budget level (net of work for others) plus 2%.

- OM&A to be reviewed on a gross basis (before internal and capital allocations)
- OM&A to be reviewed excluding CDM activity for which funding will not be through distribution rates.



- 1 • Work for others can increase by more than 2% if the associated revenue also
- 2 increases by more than 2%
- 3 • Departments expected to coordinate to transfer budgets details related to recent
- 4 organizational changes i.e. fleet to operations, facilities to finance
- 5 • Charitable donations must be kept separate since they are disallowed for rate
- 6 applications
- 7 • It is anticipated that changes in capitalization of overhead will increase net
- 8 OM&A. There must be a tight reign on gross OM&A expenses to keep the total
- 9 increase to an acceptable range.

10
11

12 **3.0 CAPITAL PROGRAM**

13

14 Table 1 is the preliminary draft capital plan prepared in February 2007. The targets for
15 capital are set based on changes to this preliminary plan.



1 **Table 1 - Preliminary Capital Plan for 2008 (from February 2007)**

(000'S)	2007 Budget	2008 Plan	2009 Plan	2010 Plan
CAPITAL PROGRAMS				
Sustainment	34,819	36,423	38,728	42,224
Demand	20,392	25,232	26,101	28,587
General Plant	19,491	17,988	12,686	11,620
CDM	110	-	-	-
Smart Meters	16,734	15,300	1,040	1,061
TOTAL CAPITAL EXPENDITURES	91,547	94,943	78,554	83,493

2

3 **3.1 Sustainment**

4

- 5
- 6 • Target 2007 budget level plus 2% each year plus the effect of reduced
 - 7 allocations.
 - 8 • Hydro Ottawa is continuing with its asset management strategy to replace aging
 - 9 infrastructure. A first incremental step was undertaken as part of the 2006 rate
 - 10 application. The next incremental step is proposed for 2011 once the capital
 - 11 demands created by the Smart Meter program have ended.

11

12 **3.2 Demand Excluding Smart Meters**

13

- 14 • Updated based on economic forecast and most recent information from the City
- 15 of Ottawa.

16



1 **3.3 General Plant Targets**

- 2
- 3 • CIS upgrade started in 2008, go live in 2009 (2008 amount in CIP and remaining
 - 4 amount in 2009)
 - 5 • Reduce general plant in 2008 by \$1M from preliminary capital plan (fleet,
 - 6 facilities, IT combined) plus impact of capital allocations
 - 7 • Reduce fleet, facilities and IT by \$2M combined in 2009 from preliminary capital
 - 8 plan
 - 9 • General Plant in 2010 at 2009 level plus 2% each year (excluding CIS project
 - 10 which is roughly \$5M in 2009).

11

12 **3.4 Smart Meters**

- 14 • Smooth out spending between 2008 and 2009 rather than finishing deployment in
- 15 2008.

16

17

18 **4.0 HEAD COUNT**

- 20 • Full time equivalents ('FTE') will be defined as full-time staff, part-time staff
- 21 prorated and temporary employees paid through the payroll system (not
- 22 contractors).
- 23 • Increases from 2007 FTE budget complement are considered to be an addition to
- 24 the base budget to be justified and approved by the budget review committee.
- 25 • FTEs will have to be documented by employee category (executive,
- 26 management, non-union, union).

27



1 **5.0 CDM**

2

- 3 • CDM is not funded through distribution rates and therefore all aspects of CDM
4 programs must be kept completely separate.

5

6

7 **6.0 SMART METERS**

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- 9 • The application will assume that all capital spending to the end of 2008 will be
10 included in rate base. However, all amounts for Smart Meters must be identified
11 and tracked separately.



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CHANGES IN METHODOLOGY

1.0 INTRODUCTION

There are two areas in which methodologies have been changed from 2006, the year of the last rate application, to 2008. Following is a description of these changes.

2.0 LOAD FORECAST

As described in Exhibit C1-2-1, Hydro Ottawa has revised its methodology for forecasting load and customer growth. In 2006, a competitive process was used to select a new statistical modelling software (*Metrix ND* by Itron). While the previous methodology had been quite effective, the decision to change the methodology was made to include more rigorous statistical analysis and weather correction.

3.0 CAPITALIZATION

Hydro Ottawa has completed a review of its Capitalization Policy and its Cost Allocation Rates Policy as filed with the Board in the 2006 EDR Application. The result of this review is two-fold: updated accounting estimates used to determine the appropriate capitalization of overhead costs and a simplified allocation methodology. Details are provided in B1-3-1 together with the Capitalization Policy that has been updated to reflect the new estimates and the new Cost Allocation Rates Procedure. The impact on capital expenditures is described in Exhibit B3-2-2 and the impact on Operations, Maintenance and Administration costs is described in Exhibits D1-1-1 and D1-1-4.



- 1 **AUDITED FINANCIAL STATEMENTS FOR 2005 AND 2006**
- 2
- 3 Hydro Ottawa's audited financial statements for 2005 (Attachment L) and 2006
- 4 (Attachment M) are attached.

Financial statements of

HYDRO OTTAWA LIMITED

December 31, 2005



Deloitte & Touche LLP
800 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

Auditors' Report

To the Shareholder of
Hydro Ottawa Limited

We have audited the balance sheet of Hydro Ottawa Limited as at December 31, 2005 and the statements of income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

March 23, 2006

Report of Management

Management is responsible for the integrity of the financial data reported by the Company. Fulfilling this responsibility requires the preparation and presentation of non-consolidated financial statements and other data using management's best judgment, estimates and Canadian generally accepted accounting principles, applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures which provide reasonable assurance that the Company's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors. The Audit Committee has reviewed the financial statements and submitted its report to the Board of Directors.

On behalf of Management,



Rosemarie Leclair
President and
Chief Executive Officer



Shirley Mears
Senior Vice President and
Chief Financial Officer

HYDRO OTTAWA LIMITED
Financial Statements
year ended December 31, 2005

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Balance Sheet	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 19

HYDRO OTTAWA LIMITED
Statement of Income and Retained Earnings
year ended December 31, 2005
(tabular amounts are in thousands of dollars)

	<u>2005</u>	<u>2004</u>
REVENUES		
Power recovery	\$ 592,231	\$ 507,838
Distribution sales	90,884	85,689
Other revenue	10,783	11,687
	<u>693,898</u>	<u>605,214</u>
EXPENSES		
Purchased power	592,231	507,838
Operations	42,576	44,720
Amortization of capital assets	29,674	25,890
Recovery of provision for regulatory assets (Note 4)	(5,820)	(7,928)
Recovery of transition costs (Note 4)	(1,798)	-
Restructuring costs	-	851
	<u>656,863</u>	<u>571,371</u>
Earnings before other expenses and payments in lieu of corporate income taxes	<u>37,035</u>	<u>33,843</u>
Other expenses		
Interest expense (Note 12)	12,366	14,916
Payments in lieu of provincial capital tax	1,500	1,550
	<u>13,866</u>	<u>16,466</u>
Earnings before payments in lieu of corporate income taxes	<u>23,169</u>	<u>17,377</u>
Payments in lieu of corporate income taxes (Note 13)	<u>2,427</u>	<u>761</u>
NET EARNINGS	<u>20,742</u>	<u>16,616</u>
DEFICIT, BEGINNING OF YEAR	<u>(8,205)</u>	<u>(24,821)</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ 12,537</u>	<u>\$ (8,205)</u>

See accompanying notes to the financial statements

HYDRO OTTAWA LIMITED

Balance Sheet

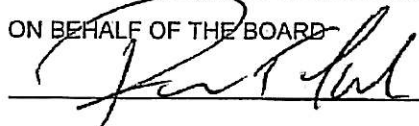
as at December 31, 2005

(tabular amounts are in thousands of dollars)

	2005	2004
CURRENT ASSETS		
Cash	\$ 3,874	\$ 1,728
Accounts receivable (Note 3)	46,048	49,624
Unbilled revenue	96,024	80,960
Inventory	6,440	8,224
Prepays	1,482	719
	153,868	141,255
NET REGULATORY ASSETS (Note 4)	6,610	5,469
CAPITAL ASSETS (Note 5)	410,389	383,162
OTHER ASSETS (Note 6)	391	391
Total assets	\$ 571,258	\$ 530,277
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	\$ 131,665	\$ 124,033
Note payable (Note 10)	-	232,185
	131,665	356,218
DEFERRED REVENUE	1,635	-
NET REGULATORY LIABILITIES (Note 4)	16,300	9,623
EMPLOYEE FUTURE BENEFITS (Note 9)	3,596	3,351
CUSTOMER DEPOSITS	6,259	2,209
NOTES PAYABLE (Note 10)	232,185	-
	391,640	371,401
CONTINGENT LIABILITIES & COMMITMENTS (Note 7, 15, 16)		
SHAREHOLDER'S EQUITY		
Share Capital (Note 11)	167,081	167,081
Retained Earnings (Deficit)	12,537	(8,205)
	179,618	158,876
Total liabilities and shareholder's equity	\$ 571,258	\$ 530,277

See accompanying notes to the financial statements

ON BEHALF OF THE BOARD



Director

HYDRO OTTAWA LIMITED

Statement of Cash Flows

year ended December 31, 2005

(tabular amounts are in thousands of dollars)

	<u>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	\$ 20,742	\$ 16,616
Adjustments for non-cash items		
Amortization of capital assets	29,674	25,890
Gain on disposal of capital assets	(30)	(95)
Allowance for funds used during construction (Note 5)	(467)	(1,225)
	<u>49,919</u>	<u>41,186</u>
Net change in non-cash operating working capital items and regulatory assets and liabilities (Note 14)	<u>25,662</u>	<u>(3,893)</u>
	<u>75,581</u>	<u>37,293</u>
FINANCING		
Contributions in aid of construction	21,433	7,536
Advances from parent company	(15,000)	8,682
Customer deposits repaid	(2,031)	(271)
	<u>4,402</u>	<u>15,947</u>
INVESTING		
Acquisition of capital assets	(77,925)	(62,770)
Proceeds from sale of capital assets	88	203
	<u>(77,837)</u>	<u>(62,567)</u>
NET CASH INFLOW (OUTFLOW)	<u>2,146</u>	<u>(9,327)</u>
CASH, BEGINNING OF YEAR	<u>1,728</u>	<u>11,055</u>
CASH, END OF YEAR	<u>\$ 3,874</u>	<u>\$ 1,728</u>
Other information		
Interest paid	\$ 12,945	\$ 20,115
Payments in lieu of taxes paid	\$ 2,275	\$ 2,337

See accompanying notes to the financial statements

HYDRO OTTAWA LIMITED

Notes to the Financial Statements

year ended December 31, 2005
(tabular amounts are in thousands of dollars)

1. DESCRIPTION OF BUSINESS

Hydro Ottawa Limited (Hydro Ottawa or the Company) was incorporated on October 3, 2000 pursuant to the *Business Corporations Act* (Ontario). The incorporation was required by the Ontario government's *Electricity Act, 1998*. The Company is a wholly owned subsidiary of Hydro Ottawa Holding Inc., which in turn is owned by the City of Ottawa.

The Company is a regulated electricity distribution company that owns and operates electricity infrastructure in the City of Ottawa and the Village of Casselman and is responsible for the safe, reliable delivery of electricity to homes and businesses in its licensed service area. In addition to billing for distribution services, it also invoices customers for amounts it is required to pay to other organizations in Ontario's electricity system for providing wholesale generation and transmission services and for debt retirement.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for commercial entities, including principles prescribed by the Ontario Energy Board (OEB) in the Accounting Procedures Handbook (AP Handbook). In the opinion of management, all adjustments necessary for fair presentation are reflected in the financial statements. The financial statements reflect the significant accounting policies summarized below.

1) REGULATION

Hydro Ottawa is regulated by the OEB under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs and revenues in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company.

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

a) Regulatory assets and liabilities

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers for electricity services and the costs that the Company incurs to purchase these services. The Company began recovering its regulatory assets (net of liabilities) on an interim basis starting April 1, 2004. This recovery continued throughout 2005. In June 2005, the OEB provided distributors with filing guidelines for final approval of these regulatory assets. Accordingly, the Company filed an application with the OEB for the final recovery of regulatory assets (net of liabilities) accumulated to December 31, 2004, on August 2, 2005, which if approved would result in an increase in rates for the period May 1, 2006 to April 30, 2008.

Regulatory balances are comprised principally as follows:

(i) Transition costs:

Hydro Ottawa incurred transition costs in preparing the Company for requirements of the competitive electricity market in Ontario. Criteria set out in the OEB's Distribution Rate Handbook and AP Handbook allow certain costs to be deferred that would be expensed when incurred under GAAP for an unregulated business. Hydro Ottawa has not recorded additional transition costs since 2002; however, interest on the recorded transition costs has been accrued as a regulatory asset.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2005
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Regulatory assets and liabilities (Continued)

(ii) Pre-market opening electricity variance:

At December 31, 2002, Hydro Ottawa recognized the pre-market opening electricity variance for the period January 1, 2001 to April 30, 2002, the date of market opening, in accordance with the AP Handbook. The pre-market opening variance represents the difference between the utility's cost of power purchased based upon time-of-use (TOU) rates and amounts billed for the cost of power to non-TOU customers at an average rate for the same period. Simple interest has been accrued as a regulatory asset as per the AP Handbook.

(iii) Post-market opening variances:

Retail services and settlement variances - The retail settlement variances relate to the charges Hydro Ottawa incurred for transmission services, generation (the commodity) and wholesale market operations from the Independent Electricity System Operator (IESO) and Hydro One Networks that were not recovered from customers during the period. The nature of the settlement variances is such that the balance can fluctuate between an asset and a liability over time and are reported at period-end dates in accordance with rules prescribed by the OEB. Hydro Ottawa has also recognized the net cost of providing retailer billing services and service transaction request services as a variance amount. On January 1, 2005, the IESO implemented, pursuant to Bill 100, a new price adjustment applicable to customers who are not eligible for the regulated price plans and therefore pay spot market price. To facilitate this, electricity distributors are given a price adjustment on their invoice from the IESO, called the Global Adjustment, which they pass on to this class of customer via a Provincial Benefit on the customer's bill.

The Global Adjustment represents the difference between market prices and the combined regulated and contract prices paid to electricity generators for electricity. This adjustment may be either positive or negative depending on the prevailing electricity market conditions. The electricity distributor adjusts the customer's invoice for the Provincial Benefit based on rates set monthly by the IESO. The difference between the Global Adjustment provided to electricity distributors, and the Provincial Benefit passed on to this particular class of customer, is tracked in a retail settlement variance account.

Miscellaneous deferred debits - The deferred debits represent one-time expenses incurred to issue the 2002 customer rebates arising from Bill 210 which established a price cap of 4.3 cents per kilowatt-hour (kWh) for the electricity commodity for low-volume and designated customers (Eligible Customers) retroactive to May 1, 2002.

Deferred OEB annual cost assessments - The OEB has allowed electricity distributors to record their OEB cost assessments for the OEB's 2004 fiscal and subsequent years in order that these costs may be given consideration for rate recovery in the future. The Company has deferred these expenditures in accordance with the directions set out in the AP Handbook.

Deferred cash pension contributions - The OEB has allowed electricity distributors to apply for the recovery of incremental Ontario Municipal Employees Retirement System (OMERS) pension expenditures for fiscal years starting after December 31, 2004. Accordingly, the Company has deferred these expenditures in accordance with the directions set out in the AP Handbook.

Deferred payments in lieu of taxes (PILs) - Variances that result from the difference between OEB approved PILs recoverable in electricity distribution services charges and the actual amount collected from customers that relates to the recovery of PILs are deferred in accordance with the AP Handbook.

Interest on all recorded post-market opening variances has been accrued as a regulatory asset as per the AP Handbook.

HYDRO OTTAWA LIMITED

Notes to the Financial Statements

year ended December 31, 2005
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Contributions in aid of construction*

Capital contributions are required contributions received from outside sources used to finance additions to capital assets. Capital contributions received are treated as a contra account and are included in capital assets. The amount is amortized by a charge to accumulated amortization and a credit to amortization expense at an equivalent rate to that used to depreciate the related capital asset.

c) *Allowance for funds used during construction (AFUDC)*

Commencing January 1, 2000, an allowance for the cost of funds used during the construction period of major capital and development projects has been applied to the related capital assets. The rate applied during the current fiscal period as prescribed in the 2006 Electricity Distribution Rate (EDR) Handbook is equal to the weighted average cost of capital, being 6.6%. In 2004, the rate applied was equal to the rate allowed by the OEB in respect of long-term borrowings, being 6.9%.

d) *Payment in lieu of corporate income taxes*

Hydro Ottawa is considered to be a municipal electric utility (MEU) for purposes of the payments in lieu of taxes (PILs) regime contained in the *Electricity Act, 1998*. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the *Income Tax Act (Canada) (ITA)* and the *Corporations Tax Act (Ontario) (CTA)* is required to make, for each taxation year, a PILs amount to the Ontario Electricity Financial Corporation (OEFC) in an amount approximating the tax that it would be liable to pay under the ITA and the CTA if it were not exempt from tax.

The AP Handbook provides for the recovery of PILs by Hydro Ottawa through annual distribution rate adjustments as approved by the OEB.

The Company has adopted the taxes payable method to account for PILs as outlined in the AP Handbook. Under the taxes payable method, no provision is made for future income taxes as a result of unused tax losses or temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered by the regulated business at that time.

The Company is exempt from tax under the ITA, as not less than 90% of its capital is directly owned by the City of Ottawa and not more than 10% of its income is derived from activities carried on outside the municipal boundaries of the City of Ottawa. A corporation exempt under the ITA is also exempt from tax under the CTA.

2) MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets and liabilities are reported net of an appropriate allowance for unrecoverable amounts.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the provincial government. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2005
(tabular amounts are in thousands of dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3) **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer deposits, notes payable and standby letters of credit. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency, commodity or credit risks arising from these financial instruments. The carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

Concentration of credit risk in accounts receivable and unbilled revenue is limited, due to the large number of customers the Company services. The Company performs ongoing credit evaluations on its customers and requires collateral to support customer accounts receivable on specific accounts to mitigate significant losses. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, and historical and other information.

The Company is exposed to interest rate risk on its short-term borrowings. Under Hydro Ottawa Holding Inc.'s credit facilities (Note 7), any advances on its operating credit line would expose the Company to fluctuations in short-term interest rates related to prime-rate loans and banker's acceptances.

4) **INVENTORY**

Inventory consists primarily of parts and supplies acquired for internal construction or consumption and are stated at the lower of cost and replacement cost, with cost determined on a weighted moving average basis.

A comprehensive review of the utilization of inventory is conducted each year to identify items with an impaired value as stock items that have become obsolete.

5) **SPARE TRANSFORMERS AND METERS**

Spare transformers and meters are items that are expected to be substituted for original distribution plant transformers and meters when these original plant assets are being repaired and are held and dedicated for the specific purpose of backing up plant-in-service as opposed to assets available for other uses. Spare transformers and meters are treated as capital assets.

6) **CAPITAL ASSETS**

Capital assets include distribution equipment, facilities and buildings, as well as construction and operating equipment.

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers.

Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased, reliability is improved above original design standards or if operating costs are reduced by a substantial and quantifiable amount.

Maintenance and repair costs are expensed as incurred.

Amortization is recorded on a straight-line basis over the estimated service life of the related asset.

Estimated service lives for capital asset classes are as follows:

Distribution system	25 to 40 years
General plant	4 to 50 years

Assets under construction are not subject to amortization.

HYDRO OTTAWA LIMITED

Notes to the Financial Statements

year ended December 31, 2005
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

6) CAPITAL ASSETS (Continued)

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Company will estimate the future cash flows expected to result from the use of the asset group and their eventual disposition, and record an impairment loss if required.

7) EMPLOYEE FUTURE BENEFITS

a) Pension plan

The Company provides pension benefits for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees and by the investment earnings of the Fund. The Company recognizes the expense related to this plan as contributions are made.

b) Employee future benefits other than pension plan

Employee future benefits other than pensions provided by the Company include medical and life insurance benefits, supplemental pensions and accumulated sick leave credits. These plans provide benefits to certain employees when they are no longer providing active service.

Employee future benefit expense is recognized in the period in which the employees render services.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligation and current service costs are calculated using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Actuarial gains and losses resulting from experience different from that assumed or from changes in actuarial assumptions are amortized based on the excess of unamortized net actuarial gains and losses over the 10% corridor calculated in the aggregate for all groups. The expected average remaining service life as at December 31, 2005 is 16 years.

8) CUSTOMER DEPOSITS

Customer deposits are cash collections from customers to guarantee the payment of energy bills and fulfillment of construction obligations. Deposits estimated to be refundable to customers within the next fiscal year are classified as a current liability.

On February 3, 2004, the OEB released amendments to the Distribution System Code (DSC) with respect to customer security deposits. The DSC now sets out the maximum customer security deposits permitted, the length of time that deposits can be held, how customers can seek exemption for part or all of the deposit and the interest that distributors must pay on these deposits. The new DSC requirements came into effect on August 3, 2004; however as permitted by the OEB, the Company did not return customer security deposits under the new rules until 2005.

9) REVENUE RECOGNITION

a) Power recovery

Power recovery revenue is the pass through of the Company's purchased power costs to the consumer.

b) Distribution sales

Electricity distribution sales are recorded on the basis of regular meter readings and estimates of current usage from the last meter reading to the end of the fiscal period.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
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(tabular amounts are in thousands of dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

9) REVENUE RECOGNITION (Continued)

c) *Other revenue*

Other revenue related to sales of other services is recognized as services are rendered. Contract revenue is accounted for using the percentage of completion method, whereby revenue is recognized proportionately with the degree of completion of the services under contract. Losses on contracts are fully recognized when they become evident.

d) *Unbilled revenue*

Unbilled revenue represents distribution sales, along with accrued revenue from electricity consumed by customers since the date of each customer's last meter reading that has not yet been billed.

e) *Deferred revenue*

In 2005, Hydro Ottawa began collecting the third instalment (third tranche) of its regulated rate of return, on the condition that an equivalent amount would be invested in conservation and demand management (CDM) activities by September 2007. The CDM recoveries in 2005 exceeded the cumulative amount spent on CDM activities. The excess recoveries are treated as deferred revenue as the Company has billed the customer but has yet to discharge its obligation relating to the investment of these funds. The CDM required capital expenditures and operating expenses are recorded from July 1, 2004 to September 30, 2007 while the recovery is received over the twelve-month period from March 1, 2005 to February 28, 2006.

3. **ACCOUNTS RECEIVABLE**

	2005	2004
Electricity receivables net of allowance for doubtful accounts of \$2,267,000 (2004 - \$2,900,000)	\$ 38,621	\$ 38,700
Other receivables	7,427	8,088
Amounts due from related parties (Note 17)	-	2,836
	<u>\$ 46,048</u>	<u>\$ 49,624</u>

4. **REGULATORY ASSETS AND LIABILITIES**

In accordance with the AP Handbook, the Company has accounted for regulatory variances during the year. All pre-market opening electricity variances and post-market opening variances have been recorded as regulatory assets, with the exception of the variances related to the transmission connection costs and global adjustment that have been recorded as regulatory liabilities. Interest has been accrued on the regulatory assets and regulatory liabilities as per the AP Handbook. Transition costs have been recorded as capital assets, but the related accrued interest has been treated as a regulatory asset.

Information about the Company's net regulatory assets and liabilities is as follows:

	2005	2004
Transition costs:		
Capital assets net of recovery of \$1,798,000 (2004 - \$nil)	\$ 2,268	\$ 6,431
Interest on transition costs net of recovery of \$1,122,000 (2004 - \$611,000)	71	421
Provision for doubtful recovery	(71)	(421)
Total transition costs	<u>2,268</u>	<u>6,431</u>

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4. REGULATORY ASSETS AND LIABILITIES (Continued)

Pre-market opening electricity variance:		
Regulatory assets net of recovery of \$10,123,000 (2004 - \$2,293,000)	17,257	23,633
Provision for doubtful recovery	<u>(17,257)</u>	<u>(23,633)</u>
Total pre-market opening electricity variance	-	-
Post-market opening variances:		
Retail settlement variance account assets net of recovery of \$10,338,000 (2004 - \$5,995,000)	7,931	5,920
Provision for doubtful recovery	<u>(5,099)</u>	<u>(3,496)</u>
	2,832	2,424
Other regulatory assets net of recovery of \$456,000 (2004 - \$498,000)	4,747	4,889
Provision for doubtful recovery	<u>(969)</u>	<u>(1,844)</u>
	3,778	3,045
Retail settlement variance account liabilities net of disposition of \$6,261,000 (2004 - \$2,277,000)	<u>(16,300)</u>	<u>(9,623)</u>
Total post-market opening variances	<u>(9,690)</u>	<u>(4,154)</u>
Total regulatory assets and liabilities	<u>\$ (7,422)</u>	<u>\$ 2,277</u>
Regulatory assets and liabilities are recorded as:		
Net regulatory assets	\$ 6,610	\$ 5,469
Net regulatory liabilities	(16,300)	(9,623)
Capital assets	<u>2,268</u>	<u>6,431</u>
	<u>\$ (7,422)</u>	<u>\$ 2,277</u>

The Company expects to recover or dispose of these regulatory assets and liabilities by April 30, 2008.

Information about the Company's recovery of provision for regulatory assets is as follows:

	2005 (Recapture) of Provision for Doubtful Recovery	2004 (Recapture) of Provision for Doubtful Recovery
Recovery of regulatory assets through rate approval	\$ (11,384)	\$ (8,388)
Disposition of regulatory liabilities through rate approval	1,797	1
Regulatory assets provision	<u>3,767</u>	<u>459</u>
Total recovery of provision for regulatory assets	<u>\$ (5,820)</u>	<u>\$ (7,928)</u>

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4. REGULATORY ASSETS AND LIABILITIES (Continued)

The impact of accounting for regulatory assets and liabilities in the absence of rate regulation considerations under GAAP in the current period are:

- 1) The opening of the restructured electricity market on May 1, 2002 separated the purchase of power into several components such as the cost of the commodity or power, and non-competitive charges being transmission connection and network costs, and wholesale market service costs. These costs are to be passed on to the customer. The difference between actual costs incurred and the amounts recovered through rates are held as regulatory assets or liabilities, with final disposition subject to OEB approval.
 - a) Retail settlement variances of \$2,832,000 (2004 - \$2,424,000) for non-competitive electricity charges and power charges such as the cost of imported power, excluding the transmission connection costs variance and global adjustment variance, are recorded as regulatory assets. In the absence of rate regulation considerations, actual non-competitive electricity charges and power costs could be expensed as incurred. Consequently, operating results for 2005 would be \$408,000 lower.
 - b) Retail settlement transmission connection costs and global adjustment variances of \$16,300,000 (2004 - \$9,623,000) are regulatory liabilities. They represent the over recovery of transmission connection charges and the difference between the Provincial Benefit provided to customers and the Global Adjustment received from the IESO. In the absence of rate regulation considerations, actual transmission connection costs and global adjustment variances would be recognized as revenue when billed to the customer and as an expense when charged by the IESO. Consequently, operating results for 2005 would be \$6,677,000 higher.
- 2) Other regulatory assets of \$2,200,000 (2004 - \$760,000) include costs that the OEB has allowed electricity distributors to record, such as OEB cost assessments, incremental OMERS pension expenditures, retail service costs and miscellaneous deferred debits, in order that these costs may be given consideration for rate recovery in the future. Also included in other regulatory assets are deferred payments in lieu of taxes of \$1,578,000 (2004 - \$2,285,000) that represent variances that result from the difference between OEB approved PILs recoverable in electricity distribution services charges and the actual amount collected from customers relating to the recovery of PILs. In the absence of rate regulation considerations, the operating results for 2005 would be \$733,000 lower.

Final approval of regulatory assets and liabilities:

The Company reviews all regulatory assets for likelihood of recovery. The absence of final approval is a consideration in this evaluation. The Company has recorded a net provision of \$23,396,000 (2004 - \$29,394,000) against regulatory assets. The Company continues to assess the likelihood of full recovery of regulatory assets. If future recovery becomes assured, the Company would recognize the recovery in the results of operations in the period such a decision is made.

In 2005 the Company filed an application with the OEB to obtain final approval to recover \$4,066,000 in transition costs included in general plant capital assets. The Company has received interim approval to begin recovering these costs. The Company has recovered \$2,920,000 (2004 - \$611,000) in regulatory assets through rates of which \$1,798,000 (2004 - \$nil) represented transition costs and \$1,122,000 (2004 - \$611,000) represented interest accrued on these costs. Included in the cost of general plant is \$2,268,000 (2004 - \$6,431,000) of transition costs still recoverable.

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5. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Distribution system	\$ 727,204	\$ 351,928	\$ 375,276	\$ 337,846
General plant	138,846	57,078	81,768	71,418
Assets under construction	16,473	-	16,473	18,797
	<u>882,523</u>	<u>409,006</u>	<u>473,517</u>	<u>428,061</u>
Contributions in aid of construction	(74,710)	(11,582)	(63,128)	(44,899)
	<u>\$ 807,813</u>	<u>\$ 397,424</u>	<u>\$ 410,389</u>	<u>\$ 383,162</u>

During the year, the company capitalized an allowance for funds used during construction of \$467,000 (2004 - \$1,225,000).

The OEB permits an AFUDC, based on Hydro Ottawa's weighted average cost of capital, to be included in the rate base. AFUDC is also included in the cost of capital assets for financial reporting purposes, and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future rates. Since AFUDC includes an interest component, and a cost-of-equity component, it exceeds the Company's actual weighted average cost of debt. In the absence of rate regulation considerations under GAAP, the operating results for 2005 would be \$113,000 lower.

6. OTHER ASSETS

In 2004, the Company sold a server valued at \$541,000. The sale of the server did not result in any gain or loss on disposal. Consideration for the server consisted of credits to be applied against fees payable under the maintenance agreement with \$150,000 applied in 2004 and the remaining to be applied as follows:

2008	\$130,000
2009	130,000
2010	131,000
	<u>\$391,000</u>

7. CREDIT FACILITIES

Hydro Ottawa Holding Inc. on behalf of itself and its subsidiaries arranged a new credit facility in the amount of \$350,000,000 with a syndicate of Canadian banks. The new facility consisted of two elements: a \$150,000,000 three-year, extendible, revolving term credit facility which expires January 6, 2008, and a \$200,000,000 364-day bridge facility.

Amounts drawn under the revolving term credit facility as bankers' acceptances are calculated using a discount rate that is 0.1% below the average posted rate for Bankers' Acceptances (3.33% at December 31, 2005). Prime rate advances under this facility bear interest at the bank's prime rate (5% at December 31, 2005). The fee payable for bankers' acceptances and standby letters of credit is based on a margin determined by reference to the Hydro Ottawa Holding Inc.'s credit rating. This facility contains a requirement to maintain the consolidated debt to capitalization ratio at or below 75% and to use no more than \$75,000,000 of the facility to fund capital expenditures, customary covenants and events of default. At December 31, 2005, the Company had drawn \$22,000,000 in standby letters of credit against this facility.

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7. CREDIT FACILITIES (Continued)

On January 5, 2005, Hydro Ottawa Holding Inc. on behalf of itself and its subsidiaries terminated the existing unsecured \$152,000,000 credit facility with a Canadian chartered bank, and replaced it with a \$47,285,000 credit facility that expires May 18, 2006. It is Hydro Ottawa Holding Inc.'s intention to renew this facility, amended for a reduction in the amount of standby letters of credit, for another year. This facility consists of a \$24,850,000, 364-day revolving term operating credit line, \$22,285,000 in standby letter of credits and a \$150,000 corporate Visa facility. Direct advances under the 364-day operating credit line bear interest at prime less 0.35% per annum. This facility contains customary covenants and events of default including a covenant to maintain the consolidated tangible net worth in excess of \$55,000,000 at all times. At December 31, 2005 the Company had drawn no amount on the operating credit line (2004 - \$nil) and \$211,000 (2004 - \$22,285,000) in standby letter of credits.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2005</u>	<u>2004</u>
Purchased power payable	\$ 57,953	\$ 49,083
Rebates payable to eligible customers	4,518	2,433
Customer credit balances	28,636	11,115
Collateral funds held	14,068	20,149
Other accounts payable and accrued liabilities	16,731	20,994
Deferred revenue	4,321	-
Payments in lieu of corporate income taxes payable	1,622	-
Advances from parent company (Note 17)	2,000	17,000
Due to related parties (Note 17)	1,816	3,259
	<u>\$ 131,665</u>	<u>\$ 124,033</u>

9. EMPLOYEE FUTURE BENEFITS

i. Pension Plan

The Company's participating employer contributions for the year was \$2,257,000 (2004 - \$2,060,000).

ii. Employee future benefits other than pension plan

Employee future benefits are calculated using an annual compensation rate increase of 3.0% (2004 - 2.5% to 3%), an inflation rate of 2.0% (2004 - 1.75%), and a discount rate of 5.25% (2004 - 6.0%) to calculate the liabilities.

Information about the Company's defined benefit plans is as follows:

	<u>2005</u>		
	<u>Accumulated Liability</u>	<u>Expense for the period</u>	<u>Benefits Paid</u>
Life insurance	\$ 3,877	\$ 582	\$ 325
Supplemental pensions	28	3	3
Sick leave	16	-	-
	<u>\$ 3,921</u>	<u>\$ 585</u>	<u>\$ 328</u>
Projected benefit obligation	<u>\$ 7,522</u>		
Actuarial deficit	<u>\$ (3,601)</u>		

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9. EMPLOYEE FUTURE BENEFITS (Continued)

	2004		
	Accumulated Liability	Expense (recovery) for the period	Benefits Paid
Life insurance	\$ 3,620	\$ 487	\$ 331
Supplemental pensions	28	3	3
Sick leave	16	(42)	-
	<u>\$ 3,664</u>	<u>\$ 448</u>	<u>\$ 334</u>
Projected benefit obligation	<u>\$ 6,562</u>		
Actuarial deficit	<u>\$ (2,898)</u>		

The last actuarial valuation was performed January 1, 2004. The actuary has updated the assumptions and estimates at December 31, 2005. As a result of this exercise, the Company increased the projected benefit obligation by \$960,000 (2004 - \$487,000). This amount is reflected in the projected benefit obligation and the excess over the 10% corridor will be charged to earnings over the average remaining service life of current employees of 16 years, beginning January 1, 2006.

The current liability portion of the accrued employee future benefits included in other accounts payable is \$325,000 (2004 - \$313,000) and the non-current portion of \$3,596,000 (2004 - \$3,351,000) is included in long term liabilities.

10. NOTES PAYABLE

Effective July 1, 2005, the Company issued promissory notes, payable to Hydro Ottawa Holding Inc., in the amounts of \$200,000,000 bearing interest at 5.14% per annum and \$32,185,000 bearing interest at 5.9% per annum, to replace the promissory note due on demand issued December 31, 2004, payable to Hydro Ottawa Holding Inc. in the amount of \$232,185,000. The note bore interest commencing at 7% per annum declining to the rate of interest charged to Hydro Ottawa Holding Inc. pursuant to the first bonds issued by Hydro Ottawa Holding Inc. in 2005, plus 0.1% per annum. The management of Hydro Ottawa Holding Inc. has confirmed that it does not intend on calling these notes within one year.

The notes are subordinated and postponed to the obligation of the Company to a third party for the payment in full of any secured indebtedness and any and all security interests granted to secure such obligations of the Company.

The notes are convertible into fully paid and non-assessable Class A common shares at a conversion rate equal to 1 Class A common share for each \$1 of the principal amount converted.

	2005	2004
Current:		
7% promissory note payable on demand to Hydro Ottawa Holding Inc.	\$ -	\$ 232,185
Long-term:		
5.9% promissory note payable to Hydro Ottawa Holding Inc.	32,185	-
5.14% promissory note payable to Hydro Ottawa Holding Inc.	200,000	-
	<u>232,185</u>	<u>-</u>
	<u>\$ 232,185</u>	<u>\$ 232,185</u>

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11. SHARE CAPITAL

Authorized

- Unlimited voting first preferred shares, redeemable at \$1 per share
- Unlimited non-voting second preferred shares, redeemable at \$10 per share
- Unlimited non-voting third preferred shares, redeemable at \$100 per share
- Unlimited voting (10 votes per share) fourth preferred shares, redeemable at \$100 per share
- Unlimited voting Class A common shares
- Unlimited non-voting Class B common shares
- Unlimited non-voting Class C common shares

The above shares are without nominal or par value.

The Company may, at any time, purchase for cancellation the whole or part of the Class C common shares at the price at which such shares were issued.

Holders of second preferred shares, fourth preferred shares and common shares are entitled to receive dividends as and when declared by the board of directors at their discretion.

Issued	2005	2004
154,798,000 Class A common shares	\$ 167,081	\$ 167,081

Any invitation to the public to subscribe for shares of the Company is prohibited by shareholder resolution.

12. INTEREST EXPENSE

	2005	2004
Short-term interest (net of interest income)	\$ 829	\$ 120
Interest on notes payable	11,846	16,021
Finance charges	158	-
Less: Allowance for funds used during construction	(467)	(1,225)
	\$ 12,366	\$ 14,916

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13. PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rates. A reconciliation between the statutory and effective tax rates is provided as follows:

	2005	2004
Federal and Ontario statutory income tax rate	36.12%	36.12%
Income before provision for PILs	\$ 23,169	\$ 17,377
Provision for PILs at statutory rate	\$ 8,369	\$ 6,277
Increase (decrease) resulting from:		
Permanent differences	17	58
Tax effect of non-capital losses for which no benefit has been recorded	(6,767)	(6,335)
Large corporations tax	623	761
Corporate minimum tax	185	-
Provision for PILs	\$ 2,427	\$ 761
Effective income tax rate	10.48%	4.38%

Hydro Ottawa, as a rate regulated utility, does not recognize future income taxes to the extent they are expected to be included in future approved rates charged to customers and recovered from them. Hydro Ottawa has applied all unused tax losses (2004 - \$16,131,000) to offset taxable income in the current year. Hydro Ottawa has deductible temporary differences between the tax basis of assets and their carrying amount for accounting purposes of approximately \$79,725,000 (2004 - \$82,192,000). These amounts translate into an unrecognized future tax asset of approximately \$28,982,000 (2004 - \$29,688,000) that can be used to reduce payments in lieu of taxes calculated in future periods.

The Company is subject to PILs as long as it is exempt from federal taxation under paragraph 149(1)(d.6) of the ITA.

As prescribed by a regulatory rate order, income tax expense is recovered through customer rates based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to unused tax losses or temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Hydro Ottawa has not recognized future income taxes, as it is expected that when these amounts become payable, they will be recovered through future rate revenues. GAAP for unregulated businesses require the recognition of future income tax liabilities and future income tax assets. In the absence of rate regulation considerations under GAAP operating results in 2005 would be \$706,000 lower.

14. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL AND REGULATORY ASSETS AND LIABILITIES

	2005	2004
(Increase) decrease in accounts receivable	\$ 3,576	\$(3,399)
(Increase) in unbilled revenue	(15,064)	(3,995)
Decrease in regulatory assets net of liabilities	5,536	2,976
Increase (decrease) in accounts payable and accrued liabilities	28,713	(1,589)
Increase in deferred revenue	1,635	-
(Increase) decrease in other	1,266	2,114
	\$ 25,662	\$ (3,893)

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15. CONTINGENT LIABILITIES

(i) A class action claiming \$500,000,000 in restitutionary payments plus interest was served on the former Toronto Hydro-Electric Commission on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario, including Hydro Ottawa, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in electric utilities receiving interest at effective rates in excess of what is allowed under Section 347(1)(b) of the Criminal Code. This action has not yet been certified as a class action and no discoveries have been held, as parties were awaiting the outcome of a similar proceedings brought against The Consumers Gas Company Limited (now Enbridge Gas Distribution Inc.).

On April 22, 2004, the Supreme Court of Canada released a decision in the Enbridge Gas Distribution Inc. (EGD) case with respect to late payment penalties. The Court rejected all the defences which had been raised by EGD, however the Court did not permit the plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994. At this time, it is not possible to quantify the effect, if any, and no amount has been accrued in the financial statements of the Company.

(ii) 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 if the Company fails to make a payment required by a default notice issued by the IESO. A prudential support obligation is calculated based upon a default protection amount and the distributor's trading limit less a reduction for the distributor's credit rating. At December 31, 2005, the Company had drawn standby letters of credit of \$22,000,000 against its credit facility to cover its prudential support obligation. In addition, the Company provided standby letters of credit of \$211,000 to the City of Ottawa as security for construction projects.

(iii) Various lawsuits have been filed against the Company for incidents that arose in the ordinary course of business. In the opinion of management, the outcomes of the lawsuits, now pending, are neither determinable nor material. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

(iv) The Company participates with other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The Company is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred. If any additional assessments were required in the future, their cost would be charged to operations in the year in which they occur.

(v) The Company may be subject to environmental regulatory requirements related to the destruction of PCBs in distribution transformers and other clean up related to PCBs if draft federal legislation in its current form is ultimately passed. Proposed revisions to the Federal PCB Regulatory Framework under the Canadian Environmental Protection Act, 1999 recommends that certain equipment containing PCBs be removed from service by December 31, 2009 with final removal of PCB equipment expected by December 31, 2014. This legislation could result in approximately \$10,000,000 to \$11,000,000 being spent over the 4-year period from 2006 to 2009. No amount has been recorded in these financial statements.

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16. COMMITMENTS

(i) Hydro Ottawa has \$9,600,000 in open commitments for 2006. This includes \$3,200,000 for its customer information system application services agreement, and beginning in 2005 an arrangement to provide call centre services, with IBM Canada Limited. The minimum billable value of the agreement over its term is \$16,418,000 and is set to expire December 31, 2010.

(ii) Hydro Ottawa has committed to provide support for a community park in the Village of Casselman. The total amount of the commitment remaining is \$27,000, which will be paid in 2006.

17. RELATED PARTY TRANSACTIONS

Trade amounts due from and to the Hydro Ottawa group of companies are non-interest bearing and have no specific terms of repayment, but are generally repaid within one month.

The Company is wholly owned by Hydro Ottawa Holding Inc., which in turn is wholly owned by the City of Ottawa. Hydro Ottawa Holding Inc. is also the sole shareholder of Energy Ottawa Inc. and the Telecom Ottawa group of companies ("Telecom Ottawa").

The Company provides certain services to the City of Ottawa, Hydro Ottawa Holding Inc., Energy Ottawa Inc. and Telecom Ottawa in the normal course of business at commercial rates.

For the year ended December 31, 2005, the Company earned revenues related to the:

- sale of electricity, and the provision of street lighting services in the amount of \$29,157,000 (2004 - \$30,128,000) to the City of Ottawa.
- provision of administration and corporate services in the amount of \$279,000 (2004 - \$176,000) to Hydro Ottawa Holding Inc.
- provision of administration and corporate services and the recovery of expenses by service level agreement in the amount of \$343,000 (2004 - \$585,000) to Energy Ottawa Inc.
- rental of poles and ducts in the amount of \$517,000 (2004 - \$1,182,000) to Telecom Ottawa.
- provision of administration and corporate services and other recoverable work in the amount of \$283,000 (2004 - \$245,000) to Telecom Ottawa.

The Company purchases certain services from the City of Ottawa, Hydro Ottawa Holding Inc., Energy Ottawa Inc. and Telecom Ottawa in the normal course of business at commercial rates.

For the year ended December 31, 2005, the Company purchased:

- certain services related to water and sewer charges, fuel and permits from the City of Ottawa in the amount of \$351,000 (2004 - \$480,000).
- certain administration and corporate services from Hydro Ottawa Holding Inc. totaling \$1,490,000 (2004 - \$2,407,000). During the year the Company also paid Hydro Ottawa Holding Inc. for interest charged on temporary and long-term borrowings as well as finance charges related to credit facility and bond issue costs amounting to \$12,833,000 (2004 - \$76,000).
- power from Energy Ottawa Inc. in the amount of \$7,058,000 (2004 - \$4,089,000).
- broadband data services from Telecom Ottawa in the amount of \$1,467,000 (2004 - \$1,574,000).

HYDRO OTTAWA LIMITED
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17. RELATED PARTY TRANSACTIONS (Continued)

For the year ended December 31, 2005, the Company incurred property taxes payable to the City of Ottawa of \$1,658,000 (2004 - \$1,644,000).

There was no interest payable to the City of Ottawa in 2005 (2004 - \$16,021,000) as the promissory note payable to the City of Ottawa in the amount of \$232,185,000 was assigned to Hydro Ottawa Holding Inc. on December 31, 2004 (Note 10).

During the year, the Company transferred office furniture at their net book value of \$57,000 to Energy Ottawa Inc.

At the end of the year, the amounts due from and to related parties which are included in account receivable and accounts payable and accrued liabilities are as follows:

	<u>2005</u>	<u>2004</u>
Due from related parties:		
Hydro Ottawa Holding Inc.	\$ -	\$ 1,168
Telecom Ottawa Limited	-	1,217
Energy Ottawa Inc.	-	451
	<u>\$ -</u>	<u>\$ 2,836</u>
Due to related parties:		
Hydro Ottawa Holding Inc.	\$ 1,095	\$ -
Telecom Ottawa Holding Inc.	218	1,489
Energy Ottawa Inc.	503	1,770
	<u>\$ 1,816</u>	<u>\$ 3,259</u>
Advances from parent company	<u>\$ 2,000</u>	<u>\$ 17,000</u>
Notes payable to parent company (Note 10)	<u>\$ 232,185</u>	<u>\$ 232,185</u>

18. COMPARATIVE FIGURES

In certain instances, the 2004 information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year.

Financial statements of

HYDRO OTTAWA LIMITED

December 31, 2006

Report of Management

Management is responsible for the integrity of the financial data reported by the Company. Fulfilling this responsibility requires the preparation and presentation of non-consolidated financial statements and other data using management's best judgment, estimates and Canadian generally accepted accounting principles, applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures which provide reasonable assurance that the Company's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors. The Audit Committee has reviewed the financial statements and submitted its report to the Board of Directors.

On behalf of Management,



Rosemarie Leclair
President and
Chief Executive Officer



Wojciech Zielonka
Chief Financial Officer



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Auditors' Report

To the Shareholder of
Hydro Ottawa Limited

We have audited the balance sheet of Hydro Ottawa Limited as at December 31, 2006 and the statements of income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

February 21, 2007

HYDRO OTTAWA LIMITED

Financial Statements

year ended December 31, 2006

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HYDRO OTTAWA LIMITED

Statement of Income and Retained Earnings

year ended December 31, 2006

(tabular amounts are in thousands of dollars)

	<u>2006</u>	<u>2005</u>
REVENUES		
Power recovery	\$ 541,817	\$ 592,231
Distribution sales	113,908	90,884
Other revenue	10,147	10,783
	<u>665,872</u>	<u>693,898</u>
EXPENSES		
Purchased power	541,817	592,231
Operations	51,027	42,576
Amortization of capital assets	32,980	29,674
	<u>625,824</u>	<u>664,481</u>
Earnings before other (recoveries) expenses and payments in lieu of corporate income taxes	<u>40,048</u>	<u>29,417</u>
Other (recoveries) expenses		
Interest expense (Note 11)	12,347	12,366
Recovery of provision for regulatory assets write-down (Note 4)	(23,139)	(5,820)
Recovery of transition costs (Note 4)	(1,743)	(1,798)
Payments in lieu of provincial capital tax	1,346	1,500
	<u>(11,189)</u>	<u>6,248</u>
Earnings before payments in lieu of corporate income taxes	<u>51,237</u>	<u>23,169</u>
Payments in lieu of corporate income taxes (Note 12)	<u>11,375</u>	<u>2,427</u>
NET EARNINGS	<u>39,862</u>	<u>20,742</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	<u>12,537</u>	<u>(8,205)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 52,399</u>	<u>\$ 12,537</u>

See accompanying notes to the financial statements

HYDRO OTTAWA LIMITED

Balance Sheet

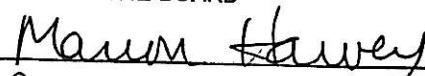
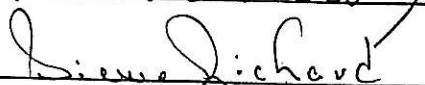
as at December 31, 2006

(tabular amounts are in thousands of dollars)

	2006	2005
CURRENT ASSETS		
Cash	\$ 21,838	\$ 3,874
Accounts receivable (Note 3)	54,663	46,048
Unbilled revenue	81,796	96,024
Prepays	604	1,482
Regulatory assets (Note 4)	7,172	-
Inventory	7,131	6,440
	173,204	153,868
NET REGULATORY ASSETS (Note 4)	15,372	6,610
CAPITAL ASSETS (Note 5)	447,803	410,389
OTHER ASSETS (Note 6)	391	391
Total assets	\$ 636,770	\$ 571,258
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$ 108,373	\$ 132,054
Payment in lieu of corporate income taxes payable	8,884	1,636
	117,257	133,690
DEFERRED REVENUE	-	1,635
NET REGULATORY LIABILITIES (Note 4)	7,627	16,300
EMPLOYEE FUTURE BENEFITS (Note 8)	4,417	3,596
CUSTOMER DEPOSITS	5,804	4,234
NOTES PAYABLE (Note 9)	282,185	232,185
	417,290	391,640
CONTINGENT LIABILITIES & COMMITMENTS (Notes 14, 15)		
SHAREHOLDER'S EQUITY		
Share Capital (Note 10)	167,081	167,081
Retained Earnings	52,399	12,537
	219,480	179,618
Total liabilities and shareholder's equity	\$ 636,770	\$ 571,258

The accompanying notes are an integral part of these financial statements

ON BEHALF OF THE BOARD

 Director
 Director

HYDRO OTTAWA LIMITED

Statement of Cash Flows

year ended December 31, 2006

(tabular amounts are in thousands of dollars)

	2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	\$ 39,862	\$ 20,742
Adjustments for non-cash items		
Amortization of capital assets	32,980	29,674
Gain on disposal of capital assets (Note 5)	(298)	(30)
Allowance for funds used during construction (Note 5)	(193)	(467)
	72,351	49,919
Net change in non-cash operating working capital items and regulatory assets and liabilities (Note 13)	(35,378)	24,242
	36,973	74,161
FINANCING		
Contributions in aid of construction	17,000	21,433
Advances from parent company	(2,000)	(15,000)
Customer deposits (repaid)	3,523	(2,031)
Notes payable (Note 9)	50,000	-
	68,523	4,402
INVESTING		
Acquisition of capital assets	(87,860)	(76,505)
Proceeds from sale of capital assets	328	88
	(87,532)	(76,417)
NET CASH INFLOW	17,964	2,146
CASH, BEGINNING OF YEAR	3,874	1,728
CASH, END OF YEAR	\$ 21,838	\$ 3,874
Other information		
Interest paid	\$ 12,845	\$ 12,945
Payments in lieu of taxes paid	\$ 3,802	\$ 2,275

See accompanying notes to the financial statements

HYDRO OTTAWA LIMITED

Notes to the Financial Statements

year ended December 31, 2006
(tabular amounts are in thousands of dollars)

1. DESCRIPTION OF BUSINESS

Hydro Ottawa Limited (Hydro Ottawa or the Company) was incorporated on October 3, 2000 pursuant to the *Business Corporations Act* (Ontario). The incorporation was required by the Ontario government's *Electricity Act, 1998*. The Company is a wholly owned subsidiary of Hydro Ottawa Holding Inc., which in turn is owned by the City of Ottawa.

The Company is a regulated electricity distribution company that owns and operates electricity infrastructure in the City of Ottawa and the Village of Casselman and is responsible for the safe, reliable delivery of electricity to homes and businesses in its licensed service area. In addition to billing for distribution services, it also invoices customers for amounts it is required to pay to other organizations in Ontario's electricity system for providing wholesale generation and transmission services and for debt retirement.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for commercial entities, including principles prescribed by the Ontario Energy Board (OEB) in the *Accounting Procedures Handbook (AP Handbook)*. In the opinion of management, all adjustments necessary for fair presentation are reflected in the financial statements. The financial statements reflect the significant accounting policies summarized below.

1) REGULATION

Hydro Ottawa is regulated by the OEB under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs and revenues in the rates of a specific period, resulting in a change in the timing of accounting recognition from that, which would have applied in an unregulated company.

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

a) *Regulatory assets and liabilities*

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers for electricity services and the costs that the Company incurs to purchase these services.

Regulatory balances are comprised principally as follows:

(i) Transition costs:

Hydro Ottawa incurred transition costs in preparing the Company for requirements of the competitive electricity market in Ontario. In 2006 Hydro Ottawa received approval from the OEB to recover its transition costs and associated carrying charges.

(ii) Pre-market opening electricity variance:

The pre-market opening variance represents the difference between the utility's cost of power purchased based upon time-of-use (TOU) rates and amounts billed for the cost of power to non-TOU customers at an average rate for the period January 1, 2001 to April 30, 2002, the date of market opening. In 2006 Hydro Ottawa received approval from the OEB to recover these costs.

HYDRO OTTAWA LIMITED

Notes to the Financial Statements

year ended December 31, 2006
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Post-market opening variances:

Retail services and settlement variances - The retail settlement variances relate to the charges Hydro Ottawa incurred for transmission services, generation (the commodity) and wholesale market operations from the Independent Electricity System Operator (IESO) and Hydro One Networks that were not recovered from customers during the period. The nature of the settlement variances is such that the balance can fluctuate between assets and liabilities over time and are reported at period-end dates in accordance with rules prescribed by the OEB. Hydro Ottawa has also recognized the net cost of providing retailer billing services and service transaction request services as a variance amount. In 2006 Hydro Ottawa received approval from the OEB to recover its retail services and settlement variances and associated carrying charges, which existed at December 31, 2004.

Deferred payments in lieu of taxes (PILs) - Changes to tax legislation resulting in an over or under recovery of PILs collected from customers must be recorded as a variance in accordance with the AP Handbook.

Deferred smart meter costs - The OEB has allowed electricity distributors to track the differences between the amounts funded in rates for smart meters, and incremental program costs. Program costs include incremental operating, maintenance, amortization and administrative expenses directly related to smart meters, and costs associated with conventional meters removed at the time of installation of smart meters. Currently, the Company has recorded the deferral of stranded meter costs only.

Other regulatory assets - The OEB has allowed electricity distributors to record other expenditures as regulatory assets. Included in other regulatory assets are OEB annual cost assessments, incremental Ontario Municipal Employees Retirement System (OMERS) pension expenditures, the difference between low voltage (LV) charges paid to Hydro One Network Inc. and charged to customers, one time expenses incurred to issue the 2002 customer rebates arising from Bill 210 and commencing in 2006, incremental costs related to payment of the Ontario Price Credit. In 2006 Hydro Ottawa received approval from the OEB to recover the costs accumulated to December 31, 2004.

Interest on post-market opening variances has been accrued as a regulatory asset as per the AP Handbook.

b) Allowance for funds used during construction (AFUDC)

An allowance for the cost of funds used during the construction period has been applied to major capital and development projects. The rate applied for 2005 and the period January 1, 2006 to April 30, 2006, as concluded in the 2006 Electricity Distribution Rate (EDR) Report of the Board, is equal to the weighted average cost of capital, being 6.6%. Effective May 1, 2006, the OEB adopted the Scotia Capital Inc. All Corporates Mid-Term Average Weighted Yield as the approved rate of interest. The annual effective interest rate for 2006 was 5.3%.

c) Payment in lieu of corporate income taxes

Hydro Ottawa is considered to be a municipal electric utility (MEU) for purposes of the payments in lieu of taxes (PILs) regime contained in the *Electricity Act, 1998* as not less than 90% of its capital is directly owned by the City of Ottawa and not more than 10% of its income is derived from activities carried on outside the municipal boundaries of the City of Ottawa. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the *Income Tax Act (Canada) (ITA)* and the *Corporations Tax Act (Ontario) (CTA)* is required to make, for each taxation year, a PILs amount to the Ontario Electricity Financial Corporation (OEF) in an amount approximating the tax that it would be liable to pay under the ITA and the CTA if it were not exempt from tax.

The AP Handbook provides for the recovery of PILs by Hydro Ottawa through annual distribution rate adjustments as approved by the OEB.

HYDRO OTTAWA LIMITED

Notes to the Financial Statements

year ended December 31, 2006
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has adopted the taxes payable method to account for PILs as outlined in the AP Handbook. Under the taxes payable method, no provision is made for future income taxes as a result of unused tax losses or temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the regulated business at that time.

2) MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets and liabilities are reported net of an appropriate allowance for unrecoverable amounts. Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the provincial government. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

3) FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, employee future benefits, customer deposits, notes payable and stand-by letters of credit. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency or credit risks arising from these financial instruments. The carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

Concentration of credit risk in accounts receivable and unbilled revenue is limited, due to the large number of customers the Company services. The Company performs ongoing credit evaluations on its customers and requires collateral to support customer accounts receivable on specific accounts to mitigate significant losses. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, and historical and other information.

The Company is exposed to interest rate risk on its short-term borrowings. Under Hydro Ottawa Holding's credit facilities, any advances on its operating line would expose the Company to fluctuations in short-term interest rates related to prime-rate loans and banker's acceptances.

4) INVENTORY

Inventory consists primarily of parts and supplies acquired for internal construction or consumption and are stated at the lower of cost and replacement cost, with cost determined on a weighted average basis.

5) CAPITAL ASSETS

Capital assets include distribution equipment, facilities and buildings, as well as construction and operating equipment. Costs are considered capital provided there is reasonable assurance that these costs will be recovered through future earnings.

Also included in capital assets are spare transformers and meters. Spare transformer and meters are items that are expected to be substituted for the original distribution plant transformers and meters when these original plant assets are being repaired and are held and dedicated for the specific purpose of backing up plant-in-service as opposed to assets available for other uses.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers. Capital contributions received are treated as a contra account and are included in capital assets. The amount is amortized by a charge to accumulated amortization and a credit to amortization expense at an equivalent rate to that used for the depreciation of the related asset.

Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased, reliability is improved above original design standards or if operating costs are reduced by a substantial and quantifiable amount.

Maintenance and repair costs are expensed as incurred.

Amortization is recorded on a straight-line basis over the estimated service life of the related asset.

Estimated service lives for capital asset classes are as follows:

Distribution system	25 to 40 years
General plant	4 to 50 years

Assets under construction are not subject to amortization.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Company will estimate the future cash flows expected to result from the use of the asset group and their eventual disposition, and record an impairment loss if required.

6) ASSET RETIREMENT OBLIGATIONS

The Company recognizes its obligation to retire certain tangible long-lived assets, whereby the fair value of a liability for an asset retirement obligation (ARO) is recognized in the period in which it is incurred if a reasonable estimate can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying future cash flows are reflected through charges to earnings. A gain or loss may be incurred upon settlement of the liability.

7) EMPLOYEE FUTURE BENEFITS

a) Pension plan

The Company provides pension benefits for its employees through the Ontario Municipal Employees Retirement System ("OMERS") Fund (the "Fund"). OMERS is a multi-employer pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees and by the investment earnings of the Fund. The Company recognizes the expense related to this plan as contributions are made.

b) Employee future benefits other than pension plan

Employee future benefits other than pensions provided by the Company include medical and life insurance benefits, supplemental pensions, accumulated sick leave credits and a retirement grant. These plans provide benefits to certain employees when they are no longer providing active service.

Employee future benefit expense is recognized in the period in which the employees render services.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee future benefits are recorded on an accrual basis. The accrued benefit obligation and current service costs are calculated using the projected benefit method pro rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Actuarial gains and losses resulting from experience different from that assumed or from changes in actuarial assumptions are amortized based on the excess of unamortized net actuarial gains and losses over the 10% corridor calculated in the aggregate for all groups. The expected average remaining service life as at December 31, 2006 is 16 years.

8) CUSTOMER DEPOSITS

Customer deposits are cash collections from customers to guarantee the payment of energy bills and fulfillment of construction obligations. Deposits estimated to be refundable to customers within the next fiscal year are classified as a current liability.

9) REVENUE RECOGNITION

a) Power recovery

Power recovery revenue represents the pass through of the Company's purchased power costs to the consumer.

b) Distribution sales

Electricity distribution sales are recorded on the basis of regular meter readings and estimates of current usage from the last meter reading to the end of the fiscal period.

c) Other revenue

Other revenue related to sales of other services is recognized as services are rendered. Contract revenue is accounted for using the percentage of completion method, whereby revenue is recognized proportionately with the degree of completion of the services under contract. Losses on contracts are fully recognized when they become evident.

d) Unbilled revenue

Unbilled revenue represents distribution sales, along with accrued revenue from electricity consumed by customers since the date of each customer's last meter reading that has not yet been billed.

e) Deferred revenue

In 2005, Hydro Ottawa began collecting the third installment of its regulated rate of return, on the condition that an equivalent amount would be invested in conservation and demand management (CDM) activities by September 2007. To date CDM recoveries exceed the cumulative amount spent on CDM activities. The excess recoveries are treated as deferred revenue because the Company has received the funds from the customer but has yet to invest these funds in CDM programs. CDM capital and operating expenditures are recorded from July 1, 2004 to September 30, 2007 while the funds were received over the twelve-month period from March 1, 2005 to February 28, 2006.

3. ACCOUNTS RECEIVABLE

	<u>2006</u>	<u>2005</u>
Electricity receivables net of allowance for doubtful accounts of \$968,000 (2005 - \$2,267,000)	\$ 48,636	\$ 38,621
Other receivables net of allowance for doubtful accounts of \$905,000 (2005 - \$316,000)	2,545	5,081
Amounts due from related parties (Note 16)	<u>3,482</u>	<u>2,346</u>
	<u>\$ 54,663</u>	<u>\$ 46,048</u>

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

4. REGULATORY ASSETS AND LIABILITIES

Information about the Company's net regulatory assets and liabilities is as follows:

	<u>2006</u>	<u>2005</u>
Regulatory assets approved for collection through rates:		
Interest on transition costs	\$ 163	\$ -
Pre-market opening electricity variance	17,748	-
Retail settlement variance accounts and other regulatory assets	<u>(2,097)</u>	<u>-</u>
	15,814	-
Regulatory assets recovered through approved rates in this period	<u>(8,059)</u>	<u>-</u>
Regulatory assets to be collected through approved rates	<u>\$ 7,755</u>	<u>\$ -</u>
Interest on transition costs:		
Regulatory asset - interest on transition costs	-	71
Provision for doubtful recovery	<u>-</u>	<u>(71)</u>
	-	-
Pre-market opening electricity variance:		
Regulatory asset	-	17,257
Provision for doubtful recovery	<u>-</u>	<u>(17,257)</u>
	-	-
Post-market opening variances subject to future recovery or disposition through a future rate filing:		
Retail settlement variance account assets	6,598	7,931
Deferred payments in lieu of taxes	-	2,485
Deferred smart meter costs	4,871	-
Other regulatory assets	3,804	2,262
Interest on regulatory assets	280	-
Provision for doubtful recovery	<u>(764)</u>	<u>(6,068)</u>
	<u>14,789</u>	<u>6,610</u>
Retail settlement variance account liabilities	<u>(5,324)</u>	<u>(16,300)</u>
Deferred payments in lieu of taxes	<u>(2,303)</u>	<u>-</u>
	<u>(7,627)</u>	<u>(16,300)</u>
Net post-market opening variances subject to future recovery or disposition through a future rate filing	<u>7,162</u>	<u>(9,690)</u>
Total net regulatory assets and liabilities	<u>\$ 14,917</u>	<u>\$ (9,690)</u>
Regulatory assets and liabilities comprise:		
Regulatory assets - current	\$ 7,172	\$ -
Net regulatory assets	15,372	6,610
Net regulatory liabilities	<u>(7,627)</u>	<u>(16,300)</u>
	<u>\$ 14,917</u>	<u>\$ (9,690)</u>

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

4. REGULATORY ASSETS AND LIABILITIES (Continued)

Regulatory assets approved for collection through rates of \$7,755,000 (2005 \$nil) include transition costs, pre-market opening electricity variance, retail settlement variances, retail service costs, deferred OEB cost assessments, miscellaneous deferred debits and interest charged at an OEB approved rate accumulated to December 31, 2004, and transferred to this account upon receiving OEB approval. This approved balance will be recovered over a 2-year period ending April 30, 2008. In the absence of rate regulation considerations the operating results for 2006 would be \$7,755,000 lower (2005 - \$nil).

Post market opening variance assets of \$14,789,000 (2005 - \$6,610,000) include retail settlement variance assets, deferred OEB cost assessments, deferred incremental OMERS pension expenditures, deferred smart meter costs, deferred LV charges, retail service costs, miscellaneous deferred, deferred payments in lieu of taxes and interest charged at an OEB approved rate. In the absence of rate regulation considerations the operating results for 2006 would be \$8,179,000 lower (2005 - \$1,141,000 lower).

Post market opening variance liabilities of \$7,627,000 (2005 - \$16,300,000) include retail settlement variance liabilities, deferred payments in lieu of taxes and interest charged at an OEB approved rate. In the absence of rate regulation considerations the operating results for 2006 would be \$8,673,000 lower (2005 - \$6,677,000 higher).

The Company continues to assess the likelihood of recovery of all current regulatory assets. The absence of OEB approval is a consideration in this evaluation. The Company has recorded a net provision of \$764,000 (2005 - \$23,396,000) against regulatory assets. If future recovery becomes assured, the Company would recognize the recovery in the results of operations in the period such a decision is made.

Information about the Company's recovery of provision for regulatory assets is as follows:

	2006 (Recapture of) Provision for Doubtful Recovery	2005 (Recapture of) Provision for Doubtful Recovery
Recovery of regulatory assets approved for collection through rates	\$ (18,735)	\$ -
Recovery of regulatory assets through interim rate approval	-	(11,384)
Disposition of regulatory liabilities through interim rate approval	-	1,797
(Decrease) increase in regulatory asset provision for doubtful recovery	(4,404)	3,767
Total recovery of provision for regulatory assets	\$ (23,139)	\$ (5,820)

On April 12, 2006, the Company received a decision from the OEB for new rates resulting from the Company's application filed in August 2005. The new rates include the recovery of the Company's regulatory assets and disposition of its regulatory liabilities accumulated up to December 31, 2004. Consequently, operating results for 2006 include a recapture of provision for doubtful recovery of \$18,735,000. The Company also received final approval to recover \$1,743,000 (2005 - \$1,798,000) in transition costs included in general plant capital assets that qualify as regulatory assets.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

5. CAPITAL ASSETS

	2006		
	Cost	Accumulated Amortization	Net Book Value
Distribution system	\$ 782,225	\$ 370,841	\$ 411,384
General plant	159,011	67,283	91,728
Assets under construction	21,044	-	21,044
	<u>962,280</u>	<u>438,124</u>	<u>524,156</u>
Contributions in aid of construction	(91,710)	(15,357)	(76,353)
	<u>\$ 870,570</u>	<u>\$ 422,767</u>	<u>\$ 447,803</u>
	2005		
	Cost	Accumulated Amortization	Net Book Value
Distribution system	\$ 727,204	\$ 351,928	\$ 375,276
General plant	138,846	57,078	81,768
Assets under construction	16,473	-	16,473
	<u>882,523</u>	<u>409,006</u>	<u>473,517</u>
Contributions in aid of construction	(74,710)	(11,582)	(63,128)
	<u>\$ 807,813</u>	<u>\$ 397,424</u>	<u>\$ 410,389</u>

During the year, the Company capitalized an allowance for funds used during construction (AFUDC) of \$193,000 (2005 - \$467,000).

The OEB permits a deemed AFUDC to be attributed to the cost of an item of property, plant and equipment that is acquired, constructed, or developed over time. Since AFUDC includes not only carrying costs directly attributable to the acquisition, construction, or development activity, the actual capitalized amounts could differ for rate regulation purposes. In the absence of rate regulation considerations under GAAP, the operating results for 2006 would be \$2,000 lower (2005 - \$113,000 lower).

During the year the Company incurred a gain on disposal of capital assets of \$298,000. This gain does not include the effects of the Ontario Government's smart meter initiative, which resulted in \$12,031,000 (2005 - \$nil) in conventional meters being removed from service and would have resulted in a loss on disposal of \$4,870,000 (2005 - \$nil) under GAAP. This loss on disposal is deemed by the OEB to be a regulatory asset, to be recovered through future rates.

6. OTHER ASSETS

In 2004, the Company sold a server valued at \$541,000. The sale of the server did not result in any gain or loss on disposal. Consideration for the server consisted of credits to be applied against fees payable under the maintenance agreement with \$150,000 applied in 2004 and the remaining to be applied as follows:

2008	\$130,000
2009	130,000
2010	<u>131,000</u>
	<u>\$391,000</u>

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006	2005
Purchased power payable	\$50,606	\$ 57,953
Rebates payable to eligible customers	688	4,518
Customer credit balances	11,008	28,196
Collateral funds held	18,046	16,093
Other accounts payable and accrued liabilities	23,768	16,681
Deferred revenue	2,845	4,321
Advances from parent company (Note 16)	-	2,000
Due to related parties (Note 16)	1,412	2,292
	\$ 108,373	\$ 132,054

8. EMPLOYEE FUTURE BENEFITS

i. Pension Plan

The Company's participating employer contributions for the year was \$2,356,000 (2005 - \$2,257,000).

ii. Employee future benefits other than pension plan.

Employee future benefits are calculated using an annual compensation rate increase of 3.0% (2005 - 3%), an inflation rate of 2.0% (2005 - 2.0%), and a discount rate of 5.1% (2005 - 5.25%) to calculate the liabilities.

Information about the Company's defined benefit plans is as follows:

	2006		
	Accumulated Liability	Expense (recovery) for the period	Benefits Paid
Life insurance	\$ 4,193	\$ 636	\$ 320
Retirement grant	601	601	-
Supplemental pensions	16	(10)	2
Sick leave	12	(4)	-
	\$ 4,822	\$ 1,223	\$ 322
Projected benefit obligation	\$ 7,684		
Actuarial deficit	\$ (2,862)		
	2005		
	Accumulated Liability	Expense (recovery) for the period	Benefits Paid
Life insurance	\$ 3,877	\$ 582	\$ 325
Supplemental pensions	28	3	3
Sick leave	16	-	-
	\$ 3,921	\$ 585	\$ 328
Projected benefit obligation	\$ 7,522		
Actuarial deficit	\$ (3,601)		

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

8. EMPLOYEE FUTURE BENEFITS (Continued)

An actuarial valuation was performed as at January 1, 2007. The actuary has updated the assumptions and estimates at December 31, 2006, which now include an obligation related to a retirement grant for employees who have 25 or more years of continuous service. As a result of this exercise, the Company increased the projected benefit obligation by \$162,000 (2005 - \$960,000 increase). This amount is reflected in the projected benefit obligation and the excess over the 10% corridor will be charged to earnings over the average remaining service life of current employees of 16 years, beginning January 1, 2007.

The current liability portion of the accrued employee future benefits included in other accounts payable is \$405,000 (2005 - \$325,000) and the non-current portion of \$4,417,000 (2005 - \$3,596,000) is included in long term liabilities.

9. NOTES PAYABLE

The Company has issued promissory notes payable to Hydro Ottawa Holding Inc. that are due on demand. The management of Hydro Ottawa Holding Inc. has confirmed that it does not intend on calling these notes within one year. The notes are subordinated and postponed to the obligation of the Company to a third party for the payment in full of any secured indebtedness and any and all security interests granted to secure such obligations of the Company.

The notes are convertible into fully paid and non-assessable Class A common shares at a conversion rate equal to 1 Class A common share for each \$1 of the principal amount converted.

	<u>2006</u>	<u>2005</u>
Long-term:		
5.9% promissory note payable issued July 1, 2005	32,185	32,185
5.14% promissory note payable issued July 1, 2005	200,000	200,000
5.318% promissory note payable issued December 20, 2006	50,000	-
	<u>\$ 282,185</u>	<u>\$ 232,185</u>

10. SHARE CAPITAL

Authorized

- Unlimited voting first preferred shares, redeemable at \$1 per share
- Unlimited non-voting second preferred shares, redeemable at \$10 per share
- Unlimited non-voting third preferred shares, redeemable at \$100 per share
- Unlimited voting (10 votes per share) fourth preferred shares, redeemable at \$100 per share
- Unlimited voting Class A common shares
- Unlimited non-voting Class B common shares
- Unlimited non-voting Class C common shares

The above shares are without nominal or par value.

The Company may, at any time, purchase for cancellation the whole or part of the Class C common shares at the price at which such shares were issued.

Holders of second preferred shares, fourth preferred shares and common shares are entitled to receive dividends as and when declared by the board of directors at their discretion.

	<u>2006</u>	<u>2005</u>
Issued		
154,798,000 Class A common shares	\$ 167,081	\$ 167,081

Any invitation to the public to subscribe for shares of the Company is prohibited by shareholder resolution.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

11. INTEREST EXPENSE

	<u>2006</u>		<u>2005</u>
Short-term interest (net of interest income)	\$ 274	\$	829
Interest on notes payable	12,266		11,846
Finance charges	-		158
Less: Allowance for funds used during construction	<u>(193)</u>		<u>(467)</u>
	<u>\$ 12,347</u>	<u>\$</u>	<u>12,366</u>

12. PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rates. A reconciliation between the statutory and effective tax rates is provided as follows:

	<u>2006</u>		<u>2005</u>
Federal and Ontario statutory income tax rate	36.12%		36.12%
Income before provision for PILs	<u>\$ 51,237</u>	<u>\$</u>	<u>23,169</u>
Provision for PILs at statutory rate	\$ 18,507	\$	8,369
Increase (decrease) resulting from:			
Permanent differences between accounting and tax basis of assets and liabilities	2		17
Tax effect of non-capital losses for which no benefit has been previously recorded	-		(6,767)
Temporary differences between accounting and tax basis of assets and liabilities	<u>(7,476)</u>		<u>-</u>
Large corporations tax	-		623
Corporate minimum tax	<u>(261)</u>		<u>185</u>
Other	<u>603</u>		<u>-</u>
Provision for PILs	<u>\$ 11,375</u>	<u>\$</u>	<u>2,427</u>
Effective income tax rate	22.20%		10.48%

Hydro Ottawa, as a rate regulated utility, does not recognize future income taxes to the extent they are expected to be included in future approved rates charged to customers and recovered from them. Hydro Ottawa has deductible temporary differences between the tax basis of assets and their carrying amount for accounting purposes of approximately \$59,027,000 (2005 - \$79,725,000). These amounts translate into an unrecognized future tax asset of approximately \$21,320,000 (2005 - \$ 28,796,000) that can be used to reduce payments in lieu of taxes calculated in future periods.

The Company is subject to PILs as long as it is exempt from federal taxation under paragraph 149(1)(d.6) of the ITA.

As prescribed by a regulatory rate order, income tax expense is recovered through customer rates based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to unused tax losses or temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Hydro Ottawa has not recognized future income taxes, as it is expected that when these amounts become payable, they will be recovered through future rate revenues. GAAP for unregulated businesses require the recognition of future income tax liabilities and future income tax assets. In the absence of rate regulation considerations under GAAP operating results in 2006 would be \$7,476,000 lower (2005 - \$892,000 lower).

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

13. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL AND REGULATORY ASSETS AND LIABILITIES

	2006	2005
(Increase) decrease in accounts receivable	\$ (8,615)	\$ 3,576
Decrease (increase) in unbilled revenue	14,228	(15,064)
Decrease (increase) in prepaids	878	(763)
(Increase) decrease in inventory	(691)	1784
(Increase) decrease in regulatory assets net of liabilities	(19,737)	5,536
(Decrease) increase in accounts payable and accrued liabilities	(27,875)	25,657
Increase in payments in lieu of corporate income taxes	7,248	1,636
(Decrease) increase in deferred revenue	(1,635)	1,635
Increase in employee future benefits	821	245
	\$ (35,378)	\$ 24,242

14. CONTINGENT LIABILITIES

(i) The Ministry of Finance (MOF) is currently auditing the Company's tax returns for the fiscal years ending December 31, 2001, 2002 and 2003. The MOF has issued an initial Statement of Adjustment (SOA) for the fiscal year ending December 31, 2001. Management has responded to this SOA and is currently in discussion with the MOF to substantiate an estimated \$5,000,000 to \$6,000,000 in adjustments to taxable income. Based on managements' best estimate, it has accrued a PILs payable provision in the Company's current operating results. As the current PILs audit has not been completed, management is not able to determine the full impact of this uncertainty on the operating results of the Company.

(ii) On November 18, 1998, a class action claiming \$500,000,000 in restitutionary payments plus interest was served on the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981. The claim is that late payment penalties result in electric utilities receiving interest at effective rates in excess of what is allowed under Section 347(1)(b) of the Criminal Code.

It is anticipated that this class action may proceed for determination in light of the 2006 settlement in the class action case against Enbridge Gas Distribution Inc. (EGD) with respect to late payment penalties. The Defendants may have defences available that were not raised in the EGD case. Also, given the preliminary status of these actions and that the amount of impermissible interest included in the penalty payments received is not determinable, it is not possible at this time to quantify the effect on the financial statements of the Company

(iii) Purchasers of electricity in Ontario, through the Independent Electricity System Operator (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 if the Company fails to make a payment required by a default notice issued by the IESO. A prudential support obligation is calculated based upon a default protection amount and the distributor's trading limit less a reduction for the distributor's credit rating. At December 31, 2006, the Company had drawn letters of credit of \$22,000,000 against its credit facility to cover its prudential support obligation. In addition, the Company provided bank letters of credit of \$15,000 to the City of Ottawa as security for construction projects.

(iv) Various lawsuits have been filed against the Company for incidents that arose in the ordinary course of business. In the opinion of management, the outcomes of the lawsuits, now pending, are neither determinable nor material. Should any loss result from the resolution of these claims, such losses would be claimed through the Company's insurance carrier with any unrecoverable amounts charged to operations in the year of resolution.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

14. CONTINGENT LIABILITIES (Continued)

(v) The Company participates with other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The Company is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred. If any additional assessments were required in the future, their cost would be charged to operations in the year in which they occur.

(vi) The Company may be subject to environmental regulatory requirements related to the destruction of polychlorinated biphenyls (PCBs) in distribution transformers and other clean up related to PCBs if draft federal legislation in its current form is ultimately passed. Proposed revisions to the Federal PCB Regulatory Framework under the Canadian Environmental Protection Act, 1999 recommends that the end of use of certain equipment containing PCBs be removed from service by December 31, 2009 with final removal of PCB equipment expected by December 31, 2014. This legislation could result in approximately \$7,000,000 being spent over the 3-year period from 2007 to 2009. This cost does not necessarily represent an incremental cost to the Company as certain assets would be replaced as part of the Company's regular asset management program. An asset retirement obligation has not been recorded in these financial statements.

15. COMMITMENTS

- (i) Hydro Ottawa has \$28,448,000 in open commitments for 2007 (2006 - \$9,600,000). This includes a customer information system services agreement, an arrangement to provide call centre services, purchase and installation of smart meters, meter reading services and overhead and underground services.
- (ii) As part of its Conservation and Demand Management program the Company has established a Business Incentive Program, which provides funding to businesses for energy retrofit projects they undertake at their facilities. The Company has committed to provide funding of \$150,000 as at December 31, 2006 (as at December 31, 2005 - \$75,000).

16. RELATED PARTY TRANSACTIONS

Trade amounts due from and to the Hydro Ottawa group of companies are non-interest bearing and have no specific terms of repayment.

The Company is wholly owned by Hydro Ottawa Holding Inc., which in turn is wholly owned by the City of Ottawa. Hydro Ottawa Holding Inc. is also the sole shareholder of Energy Ottawa Inc. and the Telecom Ottawa group of companies ("Telecom Ottawa").

The Company provides certain services to the City of Ottawa, Hydro Ottawa Holding Inc., Energy Ottawa Inc. and Telecom Ottawa in the normal course of business at commercial rates.

For the year ended December 31, 2006, the Company earned revenues related to the:

- sale of electricity, and the provision of street lighting services in the amount of \$29,072,000 (2005 - \$29,157,000) to the City of Ottawa.
- supply of administration and corporate services in the amount of \$273,000 (2005 - \$279,000) to Hydro Ottawa Holding Inc.
- supply of administrative, corporate and other operational support by service level agreement in the amount of \$432,000 (2005 - \$343,000) to Energy Ottawa Inc.
- rental of poles and ducts in the amount of \$564,000 (2005 - \$517,000) to Telecom Ottawa.
- supply of administration and corporate services and other recoverable work in the amount of \$220,000 (2005 - \$283,000) to Telecom Ottawa.

HYDRO OTTAWA LIMITED
Notes to the Financial Statements
year ended December 31, 2006
(tabular amounts are in thousands of dollars)

16. RELATED PARTY TRANSACTIONS (Continued)

The Company purchases certain services from the City of Ottawa, Hydro Ottawa Holding Inc., Energy Ottawa Inc. and Telecom Ottawa in the normal course of business at commercial rates.

For the year ended December 31, 2006, the Company purchased:

- certain services related to water and sewer charges, fuel and permits from the City of Ottawa in the amount of \$680,000 (2005 - \$351,000).
- certain administration and corporate services from Hydro Ottawa Holding Inc. totaling \$1,878,000 (2005 - \$1,490,000) and reimbursed Hydro Ottawa Holdings Inc. for \$83,000 (2005 - \$nil) in standby letter of credit fees. During the year the Company also paid Hydro Ottawa Holding Inc. for interest charged on temporary and long-term borrowings amounting to \$12,555,000 (2005 - \$12,833,000).
- power from Energy Ottawa Inc. in the amount of \$5,618,000 (2005 - \$7,058,000) and energy audit services of \$28,000 (2005 - \$nil).
- broadband data services from Telecom Ottawa in the amount of \$1,457,000 (2005 - \$1,467,000).

For the year ended December 31, 2006, the Company incurred property taxes payable to the City of Ottawa of \$1,743,000 (2005 - \$1,658,000).

In 2005, the Company transferred office furniture at their net book value of \$57,000 to Energy Ottawa Inc, no such transfers occurred in 2006.

At the end of the year, the amounts due from and to related parties, which are included in, accounts receivable and accounts payable and accrued liabilities are as follows:

	2006	2005
Due from related parties:		
Telecom Ottawa Holding Inc.	\$ 24	\$ -
Energy Ottawa Inc.	234	-
City of Ottawa	3,224	2,346
	\$ 3,482	\$ 2,346
Due to related parties:		
Hydro Ottawa Holding Inc.	\$ 1,283	\$ 1,095
Telecom Ottawa Holding Inc.	-	218
Energy Ottawa Inc.	-	503
City of Ottawa	129	476
	\$ 1,412	\$ 2,292
Advances from parent company	\$ -	\$ 2,000
Notes payable to parent company	\$ 282,185	\$ 232,185

17. COMPARATIVE FIGURES

In certain instances, the 2005 information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year.



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PRO FORMA STATEMENTS FOR 2007 AND 2008

Hydro Ottawa's Pro Forma Statement of Income (Attachment N) and Balance Sheet (Attachment O) for 2007 and 2008 are attached. 2006 Actual and 2006 Normalized are also shown for comparison. 2006 Normalized includes the reversal of the provision for Regulatory Assets as approved in Hydro Ottawa's 2006 EDR Decision.

Hydro Ottawa Limited Statement of Income

<i>\$ Thousands</i>	2006	2006	2007	2008
	Actual	Normalized	Estimate	Forecast
Revenues				
Power recovery	541,817	541,817	549,328	554,674
Distribution sales	113,908	113,908	125,084	138,954
Other revenue	10,147	10,147	10,213	7,820
	665,872	665,872	684,625	701,448
Expenses				
Purchased Power	541,817	541,817	549,328	554,674
Operating, maintenance and admin.	51,325	51,325	53,816	62,219
Provincial capital tax	1,346	1,346	1,800	1,568
Provision for write-down (recovery) of regulatory assets	(24,882)	-	-	-
	569,606	594,488	604,944	618,461
EBITDA	96,266	71,384	79,681	82,987
Amortization of capital assets	32,980	32,980	37,347	39,290
EBIT	63,286	38,404	42,334	43,697
<i>Interest coverage ratio</i>	<i>5.1</i>	<i>3.1</i>	<i>3.1</i>	<i>2.9</i>
Interest expense - net	12,347	12,347	13,830	15,317
Gain on disposal of assets	(298)	(298)	(49)	-
Payments in lieu of income taxes	11,375	9,655	13,485	10,260
	23,424	21,704	27,266	25,577
Net income (loss)	39,862	16,700	15,068	18,120
ROE Realized	19.98%	8.37%	6.98%	8.44%
ROE Deemed	9.00%	9.00%	9.00%	8.81%

Hydro Ottawa Limited Balance Sheet

\$ Thousands

	Dec 31, 2006 Actual	Dec 31, 2007 Estimate	Dec 31, 2008 Forecast
Assets			
Current Assets			
Cash and cash equivalents	21,838	-	-
Accounts receivable	54,663	55,265	56,136
Unbilled revenue	81,796	76,769	79,578
Prepaid expenses	604	604	604
Inventory	7,131	8,371	8,171
Other	391	325	195
	166,423	141,334	144,684
Working Capital Ratio	1.4	1.1	1.1
Net Regulatory assets	23,308	19,852	19,343
Less: provision for doubtful recovery	(764)	-	-
	22,544	19,852	19,343
Property Plant and Equipment			
Cost	962,280	1,041,766	1,112,963
Accumulated amortization	(438,124)	(469,566)	(503,075)
Contributions in Aid of Construction	(76,353)	(89,171)	(103,785)
	447,803	483,029	506,104
Total Assets	636,770	644,215	670,131
Liabilities & Shareholders Equity			
Current Liabilities			
Bank indebtedness	-	-	-
Accounts payable and accrued liabilities	114,835	114,900	114,536
Advances from Parent Company	-	14,885	11,877
	114,835	129,785	126,413
Long Term Liabilities			
Regulatory Liability	7,627	8,410	4,147
Employee future benefits	4,417	4,546	4,546
Customer deposits	5,804	6,166	6,166
CDM & Other Deferred Revenue	2,422	570	-
Notes Payable - IB	282,185	282,185	312,185
	302,455	301,877	327,044
Debt %	56%	58%	60%
Shareholders Equity			
Share capital	167,081	167,081	167,081
Dividends paid	-	(22,000)	(14,000)
Retained earnings (deficit) before dividends	52,399	67,472	63,592
	219,480	212,553	216,673
Total Liabilities and Shareholders Equity	636,770	644,215	670,130



1 **RECONCILIATION OF AUDITED FINANCIAL STATEMENTS AND APPLICATION –**
 2 **HISTORICAL YEAR (2006)**

3
 4 The following table reconciles Hydro Ottawa's 2006 Audited Financial Statements to
 5 information for the Historical Year (2006) that is provided in this Application:
 6

7 **Table 1 – Reconciliation of Financial Statement to Rate Application**

Statement of Income and Retained Earnings	2006 Financial Statement \$000	Historical Year (2006) \$000	Notes (USofA Accounts)
REVENUES			
Power recovery	\$541,817	\$541,817	4006 to 4068
Distribution sales	113,908	112,528	4080 (\$633k see Table 2)
Other revenue	10,147	8,335	¹ See note below and Table 2
		133	Non-Utility Income
	665,872	662,813	
EXPENSES			
Purchased power	541,817	541,817	4705 to 4716
Operations	51,027	43,825	² OM&A see note below
		62	6205 Additional Donations
		438	Low Voltage Charges
		(298)	Disposal of Asset
		3,127	5415 CDM
Amortization	32,980	32,980	5705, 5725
Other (recoveries) expenses			
Interest	12,347	13,160	³ See note below
Regulatory assets	(23,139)	(23,139)	6305(excl. \$1,743 see below)
Recovery of transition costs	(1,743)	(1,743)	Included in USofA 6305
Provincial capital tax	1,346	1,346	Included in USofA 6105
PILS	11,375	11,375	6110
Total Expenses	\$626,010	\$622,951	
NET EARNINGS	\$39,862	\$39,862	

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¹ 4080b, 4082, 4084, 4090, 4210, 4225, 4235, 4315, 4325, 4330, 4375, 4380, 4385, 4390, 4405

² Includes US of A 5005 to 5175 5305 to 5680 4330, 4355, 4360, 4380, 6105 excluding. 5060, 5165, 5170, 5172, 5415 and \$1,346k of Provincial Capital Tax

³ 6005 to 6045, \$507k bank charges included in OM&A on F/S and as interest in 2008 Rate Application, \$305k included in FS as interest and as Other revenue in 2008 Rate Application



1 The following table provides details on how Other Revenue is accounted for in the 2006
2 Audited Financial Statements and the information on the Historical Year (2006) that is
3 provided in this Application.

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Table 2 – Other Revenue

Financial Statement	2006 Financial Statement \$000	Historical Year (2006) \$000	Other Revenue in Application
Other Revenue	\$1,603	\$1,603	Late Payment Charges
Other Revenue	3,018	3,018	Miscellaneous Service Charges
Other Revenue	4,939	4,939	Revenues work for others
Operations	0	(3,364)	Expense work for others
Distribution Sales	0	747	SSS Administration Charge 4080B
Distribution Sales	0	633	Other Distribution Revenue
Interest	0	305	Interest Income
Other Revenue	590	454	¹ Non utility rental
Other Revenue	(3)		Miscellaneous non operating revenue
TOTAL	\$10,147	\$8,335	

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¹ \$454,000 is net of \$136,000 of utility rental.



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The following table provides a reconciliation of Capital Assets as reported in the 2006 Audited Financial Statement and the information on the Historical Year (2006) that is provided in this Application.

Table 3 – Capital Assets

	2006 Financial Statement \$000			Adjustments \$000			Historical Year (2006) \$000		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Distribution system	782,225	370,841	411,384	(179) ¹ 12,032 ⁴	(61) ² 7,244 ⁴	(118)	794,077	378,024	416,053
General Plant	159,011	67,283	91,728				159,011	67,283	91,728
Assets under construction	21,044		21,044	47 ³			21,091		21,091
Total	962,280	438,124	524,156	(179)	(61)	(118)	974,180	445,307	528,872
Contributions	(91,710)	(15,357)	(76,353)				(91,710)	(15,357)	(76,353)
Net	870,570	422,767	447,803	(179)	(61)	(118)	882,470	429,950	452,520 ⁵

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¹ 1985 – Sentinel Lights \$69,000, 2070 – Other Utility Plant \$73,000, 2075 Non Utility Property \$37,000

² 2160 – Accumulated Amortization of Other Utility Plant

³ Assets under construction are Work for Others

⁴ Stranded meters that have been removed for GAAP purposes are added back.

⁵ \$452,520 - \$21,091 = \$431,429, which is the net assets used in the Rate Model.



1 **RECONCILIATION OF 2007 OM&A , OTHER REVENUE AND FIXED ASSETS**

2

3 The following table reconciles Hydro Ottawa's 2007 OM&A expenses to the Bridge Year
4 (2007) that is provided in this application:

5

6 **Table 1 – Reconciliation of Financial Statement to Rate Application**

Statement of Income and Retained Earnings	2007 Financial Statement¹ \$000	2007 Bridge Year² \$000	Notes (USofA Accounts)
OM&A EXPENSES			
Operations	\$53,816	\$47,140	³ OM&A see note below
		94	6205 Charitable Donations
		1,702	5415 CDM
		1,660	Expense work for others
		593	Interest expense in Operations for Financial Statement
		2,625	4380 Expenses of Non-Utility Operations (incl CDM)
		2	Rounding
Total Expenses	\$53,816	\$53,816	

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¹ See Exhibit A3-2-1

² See Exhibit D1-1-1, Section 2.0

³ Includes US of A 5005 to 5175, 5305 to 5680, 4330, 4355, 4360, 4380, 6105 and 1556, excluding 5060, 5165, 5170, 5172 and 5415.



1 The following table provides details on how Other Revenue is accounted for in the 2007
2 Pro Forma Financial Statements and the information on the Bridge Year (2007) that is
3 provided in this Application.

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Table 2 – Other Revenue

Financial Statement	2007 Financial Statement¹ \$000	Bridge Year (2007)² \$000	Other Revenue in Rate Application
Other Revenue	\$1,633	\$1,633	Late Payment Charges
Other Revenue	2,735	2,735	Miscellaneous Service Charges
Other Revenue	2,645	2,645	Revenues work for others
Other Revenue	0	(1,660)	Expense work for others
Other Revenue	0	756	SSS Administration Charge 4080B
Distribution Sales	0	355	Other Distribution Revenue
Interest	0	865	Interest Income
Other Revenue	593	487	³ Non utility rental
Other Revenue	2,608		Non-Utility Operations
Rounding	(1)		
TOTAL	\$10,213	\$7,816	

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¹ See Exhibit A3-2-1

² See Exhibit C2-1-1

³ \$487,000 is net of \$106,000 of utility rental.



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The following table provides a reconciliation of Net Capital Assets as reported in the 2007 Pro Forma Financial Statements and the information on the Bridge Year (2007) that is provided in this Application.

Table 3 – Net Capital Assets

	Adjustment \$000	\$000
Closing 2007 asset balance used in 2008 Rate Base ¹		\$478,093
Remove stranded meters (net) which were added back to the rate base for regulatory purposes	(11,841)	
Remove amortization which resulted from stranded meters being added back	482	
Add back Non Distribution Assets (net)	114	
Add Construction Work in Progress ("CIP")	16,229	
Remove CIP for Work for Others	(47)	
Net Capital Assets from 2007 Pro forma Financial Statements ²		\$483,029

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¹ See Exhibit B3-1-1

² See Exhibit A3-2-2



1 **RECONCILIATION OF 2008 OM&A, OTHER REVENUE AND FIXED ASSETS**

2

3 Table 1 reconciles Hydro Ottawa's 2008 OM&A expenses to the Test Year (2008) that is
4 provided in this application:

5

6 **Table 1 – Reconciliation of Financial Statement to Rate Application**

Statement of Income and Retained Earnings	2008 Financial Statement¹ \$000	Test Year 2008² \$000	Notes (USofA Accounts)
OM&A EXPENSES			
Operations	\$62,219	\$59,328	³ OM&A see note below
		530	Interest expense Operations for Financial Statement
		100	6205 Additional Donations
		983	⁴ 1556 Smart meters
		1,275	Expense work for others
		3	Rounding
Total Expenses	\$62,219	\$62,219	

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¹ See Exhibit A3-2-1

² See Exhibit D1-1-1, Section 2.0

³ Includes US of A 5005 to 5175 5305 to 5680 4330, 4355, 4360, 4380, 6105 and 1556, excluding 5060, 5165, 5170, 5172 and 5415.

⁴ The Smart Meter expenses are discussed in Section 12.0. For the calendar year 2008, the expenses are forecast at a total of \$1,723,018. But this is comprised of \$983,000 from the 2007 rate year (January 1, 2008 to April 30, 2008) and \$740,018 from the 2008 rate year (May 1, 2008 to December 31, 2008).



1 Table 2 provides details on how Other Revenue is accounted for in the 2008 Pro Forma
2 Financial Statements and the information on the Test Year (2008) that is provided in this
3 Application.

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Table 2 – Other Revenue

Financial Statement	2008 Pro Forma Statement¹ \$000	Test Year 2008² \$000	Other Revenue in Application
Other Revenue	\$1,600	\$1,600	Late Payment Charges
Other Revenue	2,956	2,956	Miscellaneous Service Charges
Other Revenue	2,701	2,701	Revenues work for others
	0	(1,275)	Expense work for others
	0	769	SSS Administration Charge 4080B
Distribution Sales	0	341	Other Distribution Revenue
Interest	0	40	Interest Income
Other Revenue	563	454	³ Non utility rental
TOTAL	\$ 7,820	\$7,586	

6

¹ See Exhibit A3-2-1

² See Exhibit C2-1-1

³ \$454,000 is net of \$109,000 of utility rental.



1 Table 3 provides a reconciliation of Net Capital Assets as reported in the 2008 Pro
2 Forma Financial Statements and the information on the Test Year (2008) that is provided
3 in this Application.

4
5

Table 3 – Capital Assets

	Adjustment	\$000
Closing 2008 asset balance used in 2008 Rate Base ¹		\$499,971
Remove stranded meters (net) which were added back to the rate base for regulatory purposes	(15,927)	
Remove amortization which resulted from stranded meters being added back	1,682	
Remove net accelerated depreciation	3,266	
Add back Non Distribution Assets (net)	112	
Add Construction Work in Progress ("CIP")	17,048	
Remove CIP for Work for Others	(47)	
Net Capital Assets from 2008 Pro Forma Financial Statements ²		\$506,104

6

¹ See Exhibit B3-1-1

² See Exhibit A3-2-1



1

RATING AGENCY REPORTS

2

3 Attached is the current "Rating Report" for the Holding Company issued by Dominion

4 Bond Rating Service. There is no such report for Hydro Ottawa.



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Hydro Ottawa Holding Inc.

RATING

<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>	<u>Trend</u>
Senior Unsecured Debt	Trend change	A (low)	Positive

<u>RATING HISTORY</u>	<u>Current</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Senior Unsecured Debt	A (low)	A (low)	A (low)	A (low)	A	NR

Ratings prior to 2005 reflect Hydro Ottawa Holding Inc.'s Issuer rating.

RATING UPDATE

DBRS has changed the trend on the Senior Unsecured Debt of Hydro Ottawa Holding Inc. (Hydro Ottawa or the Company) to Positive from Stable. The trend change reflects Hydro Ottawa's continuing improvement in its financial metrics driven by strong operational performance combined with a low level of business risk underpinned by its regulated electricity distribution business.

Hydro Ottawa's financial metrics have shown considerable improvement since 2004, largely benefiting from the strong financial performance of its regulated distribution business, the recapitalization of \$37.8 million in debt to equity by the City of Ottawa (the City) in 2004 and a lower interest rate of 4.93% on the \$200 million in long-term debt that was

issued in 2005 to repay a 6.9% promissory note to the City. DBRS anticipates the overall growth rate in earnings to subside modestly, but remain reasonable over the medium term, as Hydro Ottawa Limited's (Hydro LDC) revenue requirement is re-based in 2008, combined with higher earnings contributions from its non-regulated operations.

The regulatory environment in Ontario continues to improve. In April 2006, the Ontario Energy Board (OEB) approved an increase in Hydro Ottawa's rate base from \$380 million (from 1999 to 2005) to \$504 million in 2006, representing a 33% increase, which will continue to underpin earnings and cash flow growth. (Continued on page 2)

RATING CONSIDERATIONS

Strengths

- Regulated electricity distribution has low business risk and provides long-term stability to earnings and cash flows
- Strong franchise area with high density population and diversified customer base
- Strong credit metrics and balance sheet
- Low cost provider/operational efficiency
- Cautious approach to growth of non-regulated businesses

Challenges

- Significant capital expenditures
- Approved ROE sensitive to long-term interest rates
- Earnings sensitive to volumes of electricity sold
- Unable to access equity capital markets

FINANCIAL INFORMATION

	For the year ended December 31				
	2006	2005	2004	2003	2002
Total debt (CAD millions) (1)	255.6	213.4	231.9	248.5	245.1
Total adjusted debt in capital structure (%) (1)	47.5%	45.7%	50.1%	58.9%	58.9%
Cash flow/total adj. debt (%) (1)	23.4%	24.0%	16.3%	12.5%	13.4%
Cash flow/capital expenditures (times) (2)	0.76	0.82	0.54	0.41	1.17
EBIT interest coverage (times) (1)	3.57	2.91	1.62	1.35	1.86
EBIT (CAD millions)*	41.7	32.8	27.6	23.1	20.7
Cash flow from operations (CAD millions)	59.8	51.2	37.8	31.1	32.7
Core net income (CAD millions)*	19.3	15.7	8.9	4.3	7.8
Return on average equity (before extras.)	7.2%	6.5%	4.4%	2.5%	4.4%
Electricity throughputs (GWh)	7,466	7,663	7,515	7,483	7,471

*Adjusted to exclude recovery on regulatory asset provisions. (1) DBRS adjusted for operating lease debt and interest expense equivalents.

(2) Capital expenditures net of customer contributions.

THE COMPANY

Hydro Ottawa Holding Inc. is a holding company which wholly-owns the following subsidiaries: (1) Hydro Ottawa Limited (Hydro LDC), a regulated electricity distributor (Hydro Ottawa's primary business); (2) Energy Ottawa Inc., a non-regulated power generation company involved in energy management and procurement services; and (3) Telecom Ottawa Holding Inc. which is involved in fibre-optic leasing, internet service provider (ISP), virtual network provider and data local exchange carrier. Hydro Ottawa Holding Inc.'s is wholly owned by the City of Ottawa (the City), rated AA (high).



RATING UPDATE (Continued from page 1).

In addition, the OEB approved the recovery of regulatory assets of \$36.4 million of which \$22.5 million had been recovered previously, leaving \$13.9 million to be recovered over a two year period ending April 2008.

The OEB's new regulatory framework under the 2nd Generation Incentive Regulation Model (IRM) and Cost of Capital is viewed by DBRS as reasonable, providing sufficient earnings and cash flow stability. In the latter half of 2007, DBRS expects Hydro LDC to file a rate application for a mid-year rate adjustment in 2008, outlining its capital plan while addressing the additional capital investment currently not included in its rate base.

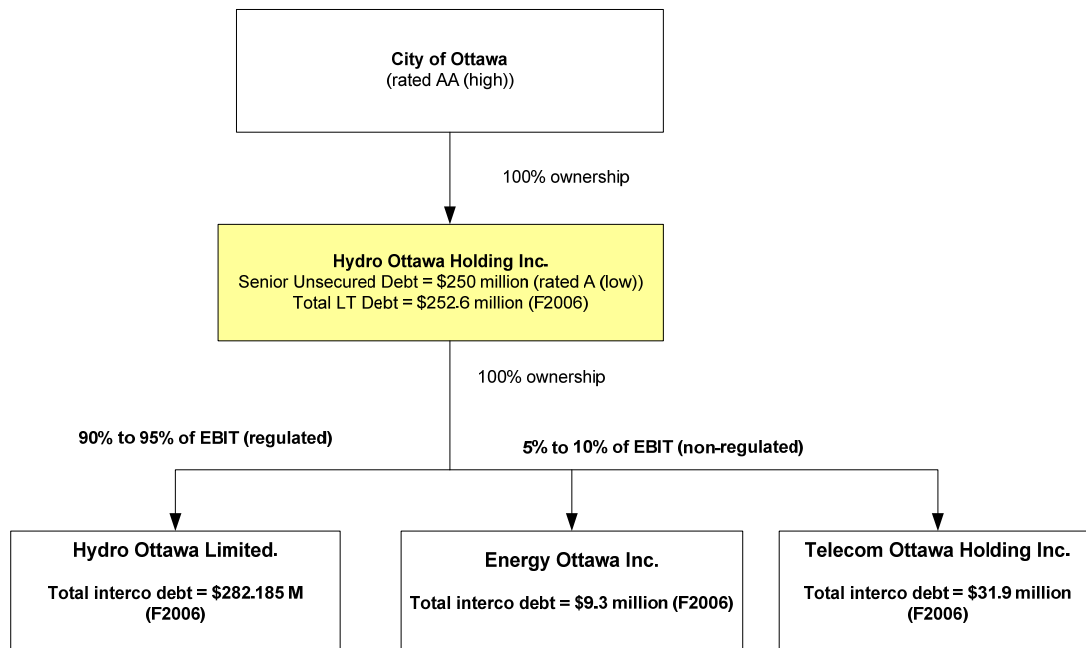
The Company's planned capital investment is expected to increase modestly from present levels, to meet demand growth and to further strengthen its distribution system. Capital expenditures are projected to be in the range of \$80 million to \$90 million per annum (\$70 million net of customer contributions), which are likely to result in manageable free cash flow deficits. These deficits

will be financed through drawings under the Company's \$150 million bank facility (\$75 million permitted for capital expenditures) and then refinanced with longer-term debt. As a result, DBRS believes that leverage will increase modestly, relative to current levels, to a longer-term range of 50% to 55%, which will put modest pressure on cash flow-to-debt and interest coverage ratios.

However, despite some anticipated weakening in the Company's financial metrics, Hydro Ottawa's credit profile will continue to support the Positive Trend given its robust balance sheet and strong credit metrics, accompanied by a modestly improving regulatory environment.

DBRS will continue to monitor the Company, and would consider an upgrade to the Senior Unsecured Debt rating if Hydro Ottawa continues to exhibit strong financial results and maintains its conservative financial and operating strategies including the managed growth of its non-regulated operations.

CORPORATE STRUCTURE





RATING CONSIDERATIONS

Strengths

(1) Hydro Ottawa is predominately a regulated electric distribution focused business (approximately 90% of total EBIT) and operates in a modestly improving regulatory environment. DBRS views the new regulatory framework under the 2nd Generation IRM and Cost of Capital as reasonable, providing sufficient earnings and cash flow stability. DBRS expects the OEB will be supportive in the recovery of capital costs and regulatory assets.

(2) Hydro Ottawa's is one of the largest municipally owned local distribution companies (LDCs) in Ontario, serving the densely populated areas within the City of Ottawa and the Village of Casselman. The majority of Hydro LDC's electricity sales are to residential customers, the federal government, and the MUSH sector (municipal, universities, schools and hospitals), which have relatively stable demand year-over-year, as these customers are less sensitive to economic cycles.

(3) Hydro Ottawa's credit metrics have improved steadily since 2004 and remain solid for a utility that benefits from low level of business risk, and are strong for the current ratings: debt/capital ratio at 47.5%, EBIT interest coverage at 3.57 times, and cash flow-to-debt at 23.4%. DBRS notes that debt levels will trend higher over the longer term, as the Company continues to incur free cash flow deficits. However, the robust balance sheet and strong coverage ratios would allow the Company to easily absorb some incremental debt. DBRS believes the financial metrics will remain within a range consistent with the assigned rating.

(4) Hydro Ottawa continues to exceed OEB service level targets and boasts one of the lowest distribution rates in the province, which underscores its prudent cost management principles.

(5) Hydro Ottawa continues to manage the growth of its non-regulated operations within an acceptable risk profile. Recently, Telecom Ottawa shed its unprofitable business lines and returned to the basics, which is broadband capacity enhanced to carrier grade quality level. Telecom Ottawa requires modest capital investment as most of the fibre infrastructure is already in place. Energy

Ottawa, the electricity generation operation, provides both earnings growth and diversification opportunities. Energy Ottawa's objective is to minimize its commodity price risk by entering into long-term contracts, for up to 80% of total output. DBRS notes the Company will only develop generating projects with a long-term purchase power agreement in place.

Challenges

(1) The Company is in the middle of a heavy capital investment cycle to enhance the reliability of the system and to meet growing demographic demands. Over the medium term, DBRS expects capital expenditures in the range of \$80 million to \$90 million (\$70 million net of customer contributions), which, combined with dividends, is expected to exceed operating cash flow by approximately \$25 million to \$35 million per year. These free cash flow deficits will place modest pressure on the balance sheet and coverage ratios.

(2) Regulatory-approved ROE levels are low and could continue to decline if the longer-term interest rates decline. The ROE of 9.0% in 2007 (2006-9.0%) is an 88 basis point decline from 9.88% in 2005. However, the earnings impact from a lower ROE level is offset by the recent 33% increase in Hydro LDC's rate base from \$380 million (from 1999 to 2005) to \$504 million in 2006.

(3) Earnings and cash flows for electricity distribution companies are partially dependent on the volume of electricity sold, given that rates typically include a variable charge component. Seasonality, economic cyclicalities and weather patterns directly impact the volume of electricity sold, and hence, revenue earned from electricity sales.

(4) Due to municipality ownership, Hydro Ottawa is unable to access the equity capital markets. This limits the Company's financial flexibility, as free cash flow deficits will be financed through its revolving credit facilities (\$150 million) or debt issuance. Furthermore, Hydro Ottawa's dividend policy with the City (a target of 60% of previous year's consolidated net income) will further increase liquidity needs during this investment cycle.



REGULATION

Hydro Ottawa's electricity distribution operations are regulated by the Ontario Energy Board (OEB) under the Ontario Energy Board Act, 1998 (the OEB Act), as modified by the following noteworthy amendments:

- The Electricity Pricing, Conservation and Supply Act, 2002 (Bill 210) – December 9, 2002.
- The Ontario Energy Board Amendment Act (Electricity Pricing), 2003 (Bill 4) – December 18, 2003.
- The Electricity Restructuring Act, 2004 (Bill 100) – December 9, 2004.

Currently, Hydro Ottawa operates under a performance-based incentive mechanism with a deemed ROE of 9.0%, based on a forward looking cost-of-service for the mid-year rate decision. The purchased power included in rates is a flow through to consumers determined by the OEB based on a blend of fluctuating, fixed and capped prices paid to generators under the Regulated Price Plan (RPP). The RPP is based on a forecast of expected costs over the next 12 months. If the cost of supplying electricity differs from what was forecast, the OEB may readjust electricity prices accordingly in the next price period (usually a six month time frame), in order to true up the RPP prices with the prices paid to generators.

In April 2006, the OEB increased Hydro Ottawa's distribution rates for the period May 1, 2006 to April 30, 2007, resulting in a 1.9% increase in total electricity bills. The methodology used by the OEB to establish the distribution rates was based on a rate base of \$504 million (\$380 million from 1999 to 2005), a deemed debt-to-equity structure of 60-40, approved debt rate of 5.25%, and an allowed ROE of 9.0%. Furthermore, the OEB approved the

recovery of \$36.4 million of regulatory assets, of which \$22.5 million had been recovered previously, leaving \$13.9 million to be recovered through distribution rates over a two year period ending in April 2008.

On December 20, 2006, the OEB issued a 2007 rate adjustment model (2nd Generation Incentive Regulation Model) and corresponding instructions to distributors for the purpose of adjusting distributor rates effective May 1, 2007. As a result, base distribution rates, exclusive of rate riders, were adjusted formulaically to reflect an allowance for inflation of 1.9%, a fixed productivity offset of 1.0%, and removal of the federal large corporation tax. As such, there was no major financial impact for distributors, only a marginal increase in revenues due to the inflation factor generally being slightly higher than the productivity factor. In each of three subsequent years, approximately one-third of the electricity distributors will have their distribution rates reviewed and reset by the OEB through a cost-of-service-type of rate proceeding. LDCs rebased in 2008 will be subject to an Incentive Rate Mechanism applied in succeeding years up to the 2010 rate year. By 2010, all electricity distributors in Ontario will have undergone a re-basing of rates.

The net effect of the OEB decision in 2007, exclusive of smart meter adjustments, was to provide for approximately a 0.43% increase in base distribution rates to all customer classes for May 1, 2007 to April 30, 2008 period. To note, as of May 1, 2007, Hydro Ottawa is collecting a rate of \$1.74 per month from all metered customers as part of the delivery charge on their bill, related to the implementation of the province's Smart Meter Program.



EARNINGS AND OUTLOOK

Earnings and Outlook *

(CAD millions)	For the year ended December 31				
	2006	2005	2004	2003	2002
Net distribution revenues	119.5	97.9	89.8	94.6	87.7
Other revenues	24.9	22.8	22.2	18.3	9.2
Net revenues	144.4	120.7	112.0	112.8	97.0
Operating expenses	102.7	87.9	84.4	89.7	76.3
EBITDA	80.7	67.0	57.3	50.2	45.8
EBIT	41.7	32.8	27.6	23.1	20.7
Net interest expense	11.6	11.2	15.7	16.2	10.2
Payments in lieu of taxes (incl. capital taxes)	10.9	5.9	3.0	2.6	2.6
Net income bef. extra./non-recurring items	19.3	15.7	8.9	4.3	7.8
Regulatory asset recovery/non-recurring items	21.1	6.9	10.8	(1.7)	(20.4)
Reported net income	40.4	22.6	19.7	2.6	(12.6)
Operating margin	29%	27%	25%	20%	21%

*Adjusted to exclude recovery on regulatory asset provisions.

EBIT by subsidiary *

(CAD millions)		2006	2005	2004	2003	2002
Hydro Ottawa Limited	96%	40.05	29.4	26.8	22.76	17.52
Energy Ottawa Inc.	9%	3.89	4.8	1.6	2.1	3.85
Telecom Ottawa Holdings Inc.	2%	0.78	(0.38)	0.28	(0.77)	(0.55)
Hydro Ottawa Holdings Inc. (non-cons.)	-7%	(2.98)	(1.03)	(1.07)	(1.03)	(0.16)
Hydro Ottawa Holdings Inc. (consolidated)		41.74	32.83	27.57	23.07	20.66

*Adjusted to exclude recovery on regulatory asset provisions.

Summary

Earnings, as measured by EBIT, continued to register solid year-over-year growth, driven primarily by the performance of the Company's regulated electric distribution business which accounts for approximately 95% of total EBIT.

- DBRS notes the significant uptick in the Company's earnings for F2006 was largely reflective of the following catalyst:
 - The April 2006 rate decision, which resulted in a 33% increase in Hydro LDC's rate base, with a corresponding 1.9% increase in total electricity bills.
 - Continued demographic and weather related throughput growth in service area.
 - Strong operating efficiency underscored by the upward trend in its operating margin from 20% in 2003 to 29% in 2006.
- Interest expense has decreased substantially since 2004, attributed by the recapitalization of \$37.8 million in debt to equity by the City in 2004, and a lower interest rate of 4.93% on the \$200 million in long-term debt that was issued in 2005 to repay a 6.9% promissory note to the City.
- Reported net income increased by 70% from \$22.6 million in F2005 to \$40.4 million in F2006, largely benefiting from OEB approval to recover regulatory assets of \$36.4 million, combined with the 1.9% increase in its distributions rates.

Overall, the steady upward trend in earnings over the past five years is largely attributable to Hydro Ottawa's favourable and growing franchise area, as

well as modest distribution rate increases and recovery of regulatory assets.

Outlook

DBRS anticipates slower but modest EBIT growth over the medium term, as Hydro Ottawa will likely file its rate application for rebasing in 2008 rate year, combined with increased earnings from non-regulated operations.

- Hydro Ottawa will have its distribution rates reviewed and reset through a forward looking cost of service type rate proceeding in 2008 with an IRM applied in succeeding years up to 2010. The rate base should reflect the significant capital expenditures over the next few years.
- DBRS anticipates the recovery of regulatory assets through distribution rates over the near term (approximately \$13.9 million).
- Energy Ottawa is committed to implementing a more prudent pricing strategy by locking in up to 80% of production under long-term fixed price contracts. In January 2007, the Company successfully commissioned the TrailRoad generation facility (5 MW) with the output sold under a 20-year PPA with the OPA.

Over the long term, the Company's regulated electricity distribution operation and generation output sold under fixed price contracts will continue to provide a high degree of stability to earnings and cash flows.



FINANCIAL PROFILE

Statement of Cash Flows

(CAD millions)	For the year ended December 31				
	2006	2005	2004	2003	2002
Net income before extraordinary items	19.3	15.7	8.9	4.3	7.8
Depreciation	38.9	34.1	29.8	27.2	25.2
Other non-cash adjustments	1.6	1.3	(0.9)	(0.4)	(0.3)
Cash Flow From Operations	59.8	51.2	37.8	31.1	32.7
Capital expenditures (net of customer contributions)	(78.4)	(62.1)	(69.8)	(75.6)	(27.9)
Total dividends paid	(12.00)	0.00	0.00	0.00	0.00
Free Cash Flow Before Working Capital Changes	(30.5)	(10.9)	(32.0)	(44.5)	4.8
Working capital changes	(35.8)	27.5	(7.1)	43.9	(56.8)
Net Free Cash Flow	(66.3)	16.5	(39.1)	(0.6)	(52.0)
Acquisitions	0.0	0.0	(0.0)	(1.2)	(1.5)
Divestitures	0.7	0.1	0.2	0.5	-
Regulatory asset recovery (provisions) (2)	22.9	7.8	7.0	(3.6)	(20.2)
Other investing / non-recurring	(1.4)	(1.9)	11.2	0.7	0.0
Cash flow before financing	(44.0)	22.5	(20.8)	(4.2)	(73.7)
Net change in debt	40.9	(20.9)	21.2	3.4	5.3
Net other financing (3)	3.5	(1.6)	(0.4)	0.8	3.3
Net change in cash	0.4	(0.0)	0.0	0.0	(65.1)
Key Financial Ratios					
Total adjusted debt (1)	255.6	213.4	231.9	248.5	245.1
Total adjusted debt -to-total capital (%) (1)	47.5%	45.7%	50.1%	58.9%	58.9%
Cash flow/capital expenditures (times)	0.76	0.82	0.54	0.41	1.17
Cash flow/total adj. debt (%) (1)	23.4%	24.0%	16.3%	12.5%	13.4%
EBIT gross interest coverage (times) (1)	3.57	2.91	1.62	1.35	1.86
Dividend payout ratio	62%	0%	0%	0%	0%

(1) DBRS adjusted for operating lease debt and interest expense equivalents. (2) Recovery on regulatory asset provisions. (3) Customer deposits.

Summary

Despite the notable improvement in Hydro Ottawa's financial profile and operating cash flow, the Company continued to record free cash flow deficits, given the large capital expenditure program and recent adoption of a dividend policy with the City (with a target of 60% of previous year's net income).

- The recent uptick in capital expenditures, coupled with dividends, has resulted in a larger free cash flow deficit for F2006.
- Hydro LDC continued to recover regulatory assets through distribution rates, which provide additional cash flows for distribution system capital spending.
- The notable swings in working capital are mainly due to the timing of the Company receiving and paying customer rebates (pass through of the commodity cost of electricity) from the Independent Electric System Operator (IESO).
- Key credit metrics have improved from 2004 levels, as debt levels have modestly increased offset by a growing equity base and lower interest expense on outstanding debt, which remain solidly within the current rating category for a low-risk electric distribution utility with debt to capital at 47.5%, EBIT

interest coverage at 3.57 and cash flow-to-debt at 23.4%.

Outlook

Cash flow from operations is expected to increase moderately, along with earnings over the medium term. However, cash flows will remain insufficient to fund heightened capital investment program and distribution to the City.

- Hydro Ottawa anticipates capital expenditures in the range of \$80 million to \$90 million over the next five years, with majority related to the regulated distribution business (approximately 80%), split fairly evenly between improving system reliability and meeting growth demands.
- The current dividend policy will increase liquidity needs over the medium term as the Company is committed to investing heavily in the distribution system.
- As such, the Company is expected to incur manageable free cash flow deficits in the average range of \$25 million to \$35 million per annum, which will be financed through its \$150 million three year revolving credit facility, of which, \$75 million is available for capital expenditures. DBRS notes that short-term financing through existing credit facilities



will reduce financial flexibility to absorb an unanticipated event.

- Hydro Ottawa is expected to file a cost-of-service rate application for mid-rate year 2008. This should provide for some operating cash flow growth, as invested capital is added to the rate base thereby increasing the earnings profile.
- The Company's leverage is expected to increase modestly over the medium term, as the large capital expenditure program and

stipulated dividend policy will result in free cash flow deficits. These deficits and the subsequent higher leverage in the capital structure – between a longer-term range of 50% to 55% – will modestly pressure cash flow-to-debt and interest coverage ratios, from current levels, but a measurable change in the Company's financial profile is not expected, with credit metrics remaining favourable.

LONG-TERM DEBT MATURITIES AND BANK LINES

Credit facilities (CAD millions)	Amount	Drawn	Available	Expiration
Three-year, extendible, revolving credit facility	150	22	128	1/6/2008
364-day revolving term operating credit line	25	0	25	6/30/2007*
Total consolidated credit facilities	175	22	153	
Notes Payable (CAD millions)		Int. rate	Amount	Maturity
Senior unsecured debentures, Series 2005- 1		5%	200.00	2/9/2015
Senior unsecured debentures, Series 2006-1		5%	50.00	12/19/2036
Integrated Gas Recovery Services Inc. (IGRS)		0%	2.64	
Total		4.9%	252.6	

*DBRS expects the line of credit to be renewed shortly.

Long-Term Debt

Hydro Ottawa finances its operations and capital expenditures with long-term debt (senior unsecured \$250 million outstanding at December 31, 2006) and revolving credit facilities (\$175 million). The debt-to-capital ratio is 47.5%, which is moderately more conservative than the recently adjusted regulatory approved level of 60%.

- DBRS notes that the Company has no debt maturing over the medium term.
- Given that Hydro Ottawa is an infrequent issuer, the Company demonstrated good access to the debt capital market with the December 2006, issuance of \$50 million Senior Unsecured Debentures (30 year at 4.98%).
- The trust indenture contains the following covenants for the Series 2005 and 2006 debentures:
 - Any additional indebtedness is subject to a 75% capitalization ratio test.
 - Negative pledge clause.
 - Restrictions on asset sales and amalgamations.
- The Integrated Gas Recovery Services Inc promissory note for \$2.64 million was issued

to fund the construction of the gas collection and generation plant at the TrailRoad landfill site. Pursuant to the Shareholder Agreement dated November 3, 2005 among Energy Ottawa and PowerTrail, the note is non-interest bearing, and subject to certain conditions stipulated in this agreement.

Liquidity

Liquidity requirements will modestly increase over the medium term to accommodate higher capital expenditures, regulatory working capital needs, and dividend payments to the City. DBRS notes Hydro Ottawa has reasonable liquidity with \$153 million unused capacity under the Company's \$175 million credit lines at the end of December 31, 2006.

- DBRS notes that the three year revolving credit facility contains customary covenants, in which requirements to maintain the consolidated debt-to-capitalization ratio at or below 75% and use no more than \$75 million of this facility to fund capital expenditures.



APPENDIX

Hydro Ottawa Holding Inc.

Balance Sheet

(CAD millions)

	As at December 31				As at December 31		
	2006	2005	2004		2006	2005	2004
Assets				Liabilities & Equity			
Cash & s.t. investments	0	-	-	Short-term debt	0.0	11.1	29.9
Accounts receivable	56.7	48.2	49.8	A/P + accr'ds	126.5	137.4	109.0
Unbilled revenue	81.8	96.0	81.0	L.t.d. due in one yr.	-	-	200
Inventories	7.3	6.7	8.6	Current Liabilities	126.5	148.5	338.9
Other	8.0	1.7	1.2	Customer deposits	5.8	6.3	3.5
Current Assets	154.2	152.6	140.5	Regulatory liability	7.6	16.3	9.6
Regulatory assets (net)	15.4	6.6	5.5	Other liabilities	9.7	8.2	4.7
Net fixed assets	510.1	470.3	440.1	Long-term debt	252.6	200.4	0.0
Other assets	4.8	4.4	1.8	Shareholders' equity	282.2	254.2	231.3
Total	684.4	633.8	587.9	Total	684.4	633.8	587.9

For the year ended December 31

Ratio Analysis *

Liquidity Ratios

	2006	2005	2004	2003	2002
Current ratio	1.22	1.03	0.41	1.22	1.72
Total adjusted debt in capital structure (%) (1)	47.5%	45.7%	50.1%	58.9%	58.9%
Cash flow/total adj. debt (1)	23.4%	24.0%	16.3%	12.5%	13.4%
Debt/EBITDA	3.17	3.19	3.95	4.86	5.26
Cash flow/capital expenditures (2)	0.76	0.82	0.54	0.41	1.17
Deemed equity	40%	40%	40%	40%	40%
Common dividend payout	62.3%	0.0%	0.0%	0.0%	0.0%

Coverage Ratios

EBIT interest coverage (1)	3.57	2.91	1.62	1.35	1.86
EBITDA interest coverage (1)	6.89	5.93	3.35	2.93	4.12

Profitability/Operating Efficiency

Operating margin	28.9%	27.2%	24.6%	20.5%	21.3%
Net margin (before extras.)	13.3%	13.0%	8.0%	3.8%	8.1%
Return on avg. common equity (bef. extras)	7.2%	6.5%	4.4%	2.5%	4.4%
GWh sold/employee	14.8	15.6	15.9	15.2	16.0
Customers/employee	561	567	581	546	565
Customers/distribution lines	52	53	54	56	55
Rate base (CAD millions)	504	380	380	380	380

Electricity Throughputs

	2006	2005	2004	2003	2002
Residential	2,226	2,358	2,267	2,241	2,255
Commercial	4,549	4,642	4,590	4,554	4,512
Large users > 5 MW	655	626	621	651	665
Street lighting	36	37	37	36	38
Total (GWh)	7,466	7,663	7,515	7,483	7,471
Growth in electricity throughputs	(2.6%)	2.0%	0.4%	0.2%	-
Peak demand (MW)	1,495	1,465	1,405	1,420	1,445

Generation capacity (MW)	15	15	15	15	15
Gross electricity generated (MWh)	na	103,900	82,000	111,171	92,749

Number of Customers

Residential	255,993	252,268	247,790	242,370	237,755
Commercial	26,389	26,303	26,240	26,810	26,754
Large users > 5 MW	11	10	10	11	11
Total	282,393	278,581	274,040	269,191	264,520
Growth of customer base	1.4%	1.7%	1.8%	1.8%	na

(1) DBRS adjusted for operating lease debt and interest expense equivalents. (2) Net of customer contributions.

* DBRS adjusted ratios to exclude recovery of regulatory asset provisions.



Note:

All figures are in Canadian dollars unless otherwise noted.

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1 **PROSPECTUS FOR PLANNED AND RECENT SHARE ISSUES**

2

3 Hydro Ottawa's sole shareholder is the Holding Company. The Holding Company is
4 100% owned by the City of Ottawa. There are no plans for additional share issues to the
5 City of Ottawa or otherwise.