

Bruce to Milton

April 2008

Transmission
Reinforcement
Project

Land Acquisition
Compensation Principles



Partners in Powerful Communities

Bruce to Milton Transmission Reinforcement Project

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Bruce to Milton Transmission Reinforcement Project

Land Acquisition Compensation Principles

The planning process for the Hydro One Networks Inc. (“Hydro One”) Bruce to Milton Transmission Reinforcement Project (“Bruce to Milton Project” or “Project”) is now well underway. Hydro One requires additional land interests immediately adjacent to the existing Bruce to Milton transmission corridor to widen that corridor so that the proposed 500 kV double circuit transmission line can be safely constructed and operated. The land interests comprising this area are referred to in this document as the “Project Corridor”.

Discussions with Project Corridor property owners (“Property Owners”) are now being initiated to review property acquisition requirements. To facilitate this process, Hydro One believes it is important that its land acquisition compensation principles are known in advance and commitments are made to have these compensation principles applied in a fair, transparent and consistent manner.

These Project-specific land acquisition compensation principles were developed in consultation with Property Owners, Property Owner representatives (Powerline Connections) and municipalities. Through this

consultation process, Hydro One has considered many issues associated with fair acquisition practices and compensation concerns. A central consideration has been the need for Property Owners to have flexibility and choice embedded in these principles, while balancing Hydro One’s need and preference to achieve timely resolution of its land acquisition requirements and ensuring that overall compensation remains fair to ratepayers.

Hydro One’s preference is to reach mutually acceptable arrangements with Property Owners. Adoption and application of these compensation principles provide real value for timely settlements and to otherwise avoid potentially lengthier, less flexible and less certain outcomes associated with legislated expropriation procedures.

Hydro One also recognizes that the disposition of land interests by Property Owners concerns personal choices and that mutually acceptable resolutions may not always be possible. In such circumstances, these compensation principles will not apply and Hydro One will rely upon the legislated expropriation process.

A. Project Corridor Identification and Selection

The Project Corridor was developed after evaluating a number of alternatives to deliver forecast increases in generation produced in the Bruce Area into the Ontario power grid. The Project will improve the performance and reliability of Ontario's electricity transmission network from the strongest environmental and economic position.

Since March, 2007, Hydro One has been carrying out additional planning activities relating to route selection and the need for area-specific refinements. Part of these activities has included public consultation sessions, property visits, environmental investigations and land surveying activities. In March, 2008, refinements to the general route were considered and Hydro One finalized the general location of the Project Corridor.

B. Introduction and Overview by Property Agents

The Project land acquisition process will formally commence when initial meetings take place between Hydro One's contracted property agent and each Property Owner to review and discuss these land acquisition compensation principles. Property Owners will be provided time to review the materials and to consider the need for follow-up meetings and discussions with Hydro One's property agent in advance of Hydro One presenting a formal offer to acquire the specific Project Corridor property interests.

C. Preparation of Independent Property Appraisal Reports

Once Hydro One has collected all pertinent property information, contracted accredited independent appraisers will prepare formal appraisal reports that quantify the fair market value of each Project Corridor property interest, including injurious affection, if applicable.

All appraisers retained by Hydro One will have received an Accredited Appraiser Canadian Institute (AACI) designation from the Appraisal Institute of Canada. This ensures that appraisals are conducted pursuant to professional standards established by the Institute.

Hydro One expects that preparation of all independent appraisal reports will be completed in the second half of 2008.

D. Preparation of Hydro One Property Rights Acquisition Offers

Hydro One will use the independent appraisal valuation information as the basis for the preparation of individual formal offers to be provided to each Project Corridor Property Owner. As part of Hydro One's formal land acquisition offer ("Offer"), Property Owners will be provided with a copy of Hydro One's commissioned independent appraisal report, together with a sketch plan and/or draft survey plan of the land interest to be acquired.

E. Next Steps

Following a review period of Hydro One's Offer, the next steps in the process will depend upon whether individual Property Owners find Hydro One's proposal acceptable or not.

If the Offer is accepted, the acquisition process will proceed and the parties will finalize the transaction.

Alternatively, if the Property Owner considers that additional steps are necessary to independently assess/review the Offer, Hydro One will provide for the reimbursement of reasonably incurred independent review costs of up to \$7,500 (the expected cost of an additional appraisal report and/or legal review). In order to be entitled to this reimbursement, the Property Owner, after receiving Hydro One's Offer, the Property Owner must notify Hydro One of its decision to incur independent review costs. An independent review appraisal carried out for the Property Owner must be conducted by an AACI-accredited appraiser and must be in a form that meets the requirements of section 25 of the Ontario *Expropriations Act*. A copy of the Property Owner's independent review appraisal report must also be provided to Hydro One before reimbursement amounts are advanced.

Reimbursement of the above-noted independent review costs is in no way intended to bind the Property Owner to voluntarily sell the interests in land required by Hydro One.

Hydro One's Offer will remain available for a limited period of time. If parties are unable to reach mutually acceptable terms by the time Hydro One files an application to seek expropriation authority status pursuant to section 99 of the *Ontario Energy Board Act, 1998* ("OEB Act"), then Hydro One's Offer will lapse.

If the Offer lapses, Hydro One will then proceed with the legislated expropriation process. In such circumstances, a revised compensation offer will be provided to the Property Owner. While the revised offer will comply with compensation requirements of the *Expropriations Act*, it will no longer include the compensation incentives (as described further in this document) originally presented in the Offer, as the early resolution objectives will no longer apply.

A. General Principles

This section describes the general principles Hydro One is committed to follow in respect of the voluntary acquisition of land rights for the Project:

- **Property Owner Choice:**

Property Owners will be offered the choice of Hydro One acquiring either an easement or the purchase of a fee simple interest in the lands required for the Project Corridor.

- **Independent Valuation:**

Hydro One's Offers will be based upon appraisal reports prepared by external, independent AACI-accredited appraisers retained by Hydro One.

- **Use of Improved Land Rates:**

Where vacant land rates would otherwise apply on agricultural properties, Hydro One will instruct its independent appraisers to base their valuation determinations using higher improved land rates.

- **Full Property Buyout Principles (Mandatory):**

In circumstances where a buyout of the entire property interest is mandatory compensation levels are intended to exceed the amounts otherwise provided for under the *Expropriations Act*.

- **Full Property Buyout Principles (Voluntary):**

Where a buyout of the entire property interest is voluntarily offered, the principles adopted, in certain

circumstances, include incentives and compensation that would exceed the appraised fair market value of the property. All valuation dates will be “as of” the date Hydro One receives, from the Property Owner, formal notice of the intention to elect the buyout option.

- **Incentives:**

Compensation premiums, over and above fair market value, will be made available as an incentive to achieve the timely acquisition of necessary property interests. Subject to all necessary regulatory approvals first being obtained, acceptance of the Offer will permit Hydro One to commence construction of the Project on the acquired property as Hydro One deems necessary. All applicable incentives will be applied on a fair, transparent and consistent basis. Hydro One has offered and will continue to offer to Property Owners an up-front payment of \$2,500 as part of each full settlement package, in recognition of time taken to meet with and discuss necessary land settlement requirements with Hydro One.

- **Opportunity for Independent Review:**

Hydro One will offer to those Property Owners whose lands are required for the Project Corridor, the opportunity to seek independent AACI appraisal advice and/or legal review with reimbursement of reasonable expenses of up to \$7,500 for this independent review.

B. Principles Applicable to the Acquisition of Easement Interests

This section describes more specific compensation principles applicable to the voluntary acquisition of easement interests. Hydro One commits to implementing the following easement compensation principles:

- **Valuation of Easement Interest:**

Hydro One's Offer will value all easement interests based upon 75% of the appraised fair market value of the total acreage over which the intended easement applies.

- **Injurious Affection:**

Compensation for injurious affection is provided when reductions to the market value of the remaining property interests are estimated to result from Hydro One's use of the interest in the portion of the land required for the Project. This amount is determined as part of the independent appraisal process. The analysis takes into consideration various attributes of the remaining property and whether a loss in market value is likely to result from the construction and operation of the Project.

Hydro One will ensure that all appraisals prepared by Hydro One's independent appraisers consider and, where applicable, make provision for any injurious affection arising to the remaining acreage of property affected by the Project Corridor that is owned by the Property Owner, net of the acreage comprising Hydro One's existing transmission easement corridor(s) and the acreage of lands over which the new easement applies. Property Owners who accept Hydro One's Offer will be provided the option of having Hydro One's injurious affection amount made subject to a binding review process as described further in Section III, Part F of this document.

- **Annual Payment Option:**

Property Owners will be offered the option to receive a portion of the easement compensation in the form of an annualized payment.

The annual payment will be calculated by multiplying the total value of the appraised Project Corridor easement by the chartered bank prime-lending rate, as of January 1st of each year, plus one percent, to arrive at the annual payment fee. All other applicable compensation amounts, such as injurious affection and incentive payments, will be paid up front as a lump sum amount.

The value of the easement will be subject to reassessment every five years, and adjustments (up or down) will be made to the annual payment amount based on this update.

The annual payment obligation will be converted to a one-time lump sum payment, subject to adjustments, upon the happening of any one of a number of specific events. These events are:

- The land subject to the rights is rezoned.
- The land subject to the rights is subdivided.
- The land subject to the rights is sold, transferred, assigned or conveyed.
- The Property Owner(s) dies.
- Hydro One determines that it no longer requires the easement interest for its operations.
- The Property Owner in any event requests payment of the lump sum in writing.

On a case-by-case basis, Hydro One will exempt having the lump sum conversion practice apply when the only contemplated change in circumstance is the transfer of ownership of the underlying lands from the original owners to their immediate first-generation offspring.

• **Incentive Compensation:**

Property Owners who accept Hydro One's offer to acquire easement interests will be provided with the following incentive compensation amounts:

- \$5,000 option payment paid at the time agreements are signed providing Hydro One with the option to purchase the interest (referred to in this document as Option Agreements and described in Section III, Part G) are executed; plus
- a further \$4,000 paid at the time Option Agreements are executed if and where (i) the Property Owner has not required reimbursement of any costs for the independent review of Hydro One's Offer (as described in Section II, Part E); and (ii) the Property Owner does not seek to challenge the injurious affection amount included in Hydro One's Offer (see Section III, Part F); plus
- an amount equal to 40% of the appraised fair market value of the acreage over which the easement interest will be taken. This amount will be paid if and when Hydro One elects to proceed with the Project. This timing is described further under Section III, Part G of this document.

• **Other Compensation Provisions:**

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (i.e. such as

lawyer fees) associated with the review of applicable conveyancing agreements.

Hydro One commits to compensating Property Owners for all damages that arise out of the operations of Hydro One, including Project construction and maintenance activities. The types of construction damages could include but are not limited to: damage to tile drains; crop loss; rutting of laneways, fence or gate damage, and soil compaction. Property Owners who grant Hydro One easement interests will be contractually indemnified from all liabilities, damages, claims, suits and actions arising out of the operations of Hydro One except to the extent any such liabilities, damages, claims, suits and actions arise out of or are contributed to by the negligence or wilful misconduct of the Property Owner.

Each Property Owner affected by the loss of wooded areas on the Project Corridor will be offered a reforestation program choice to be determined as a condition of the environmental assessment process. Choice will be negotiated on a case-by-case basis by each Property Owner.

Hydro One will provide appropriate compensation for the loss of tax benefits, if any, to the Property Owner if the qualifications for a Managed Forest Tax Incentive Program or the Conservation Land Tax Incentive Program are withdrawn in their entirety due to Hydro One acquiring interests in the Project Corridor and thereby reducing the area of the (a) individual managed forest area to less than the qualifying 10 acres; or (b) the conservation land to less than 1.5 acres. These will be negotiated on a case-by-case basis.

C. Principles Applicable to the Acquisition of a Fee Simple Interest

This section describes the compensation principles that will be applied when Property Owners prefer to sell to Hydro One the fee simple in the required Project Corridor titles instead of an easement interest. This choice in land interests is subject to all applicable municipal authority guidelines that may be required for the creation and configuration of any required title severances. In such circumstances, Hydro One will implement the following compensation principles:

- **Valuation:**

All fee simple land requirements will be valued at 100% of the appraised fair market value of the total acreage of the fee simple to be acquired.

- **Injurious Affection:**

Compensation for injurious affection is provided when reductions to the market value of the remaining property interests are estimated to result from Hydro One's use of the interest in land required for the Project. This amount is determined as part of the independent appraisal process. The analysis takes into consideration various attributes of the remaining property and whether a loss in market value is likely to result from the construction and operation of the Project.

Hydro One will ensure that all appraisals prepared by Hydro One's independent appraisers consider and, where applicable, make provision for any injurious affection arising to the remaining acreage of property affected by the Project Corridor that is owned by the Property Owner, net of the acreage comprising Hydro One's

existing transmission corridor(s) and the Project Corridor lands. Property Owners who accept Hydro One's Offer will be provided the option of having Hydro One's injurious affection amount made subject to a binding review process as described further in Section III, Part F of this document.

- **Incentive Compensation:**

Property Owners who accept Hydro One's Offer to acquire a fee simple will be provided with the following incentive compensation amounts:

- \$5,000 signing allowance paid at the time agreements providing Hydro One with the option to purchase the fee simple (referred to in this document as Option Agreements and described at Section III, Part G) are executed; plus
- a further \$4,000 paid at the time Option Agreements are executed if and where (i) the Property Owner has not required reimbursement of any costs for the independent review of Hydro One's Offer (as described in Section II, Part E); and (ii) the Property Owner does not seek to challenge the injurious affection amount included in Hydro One's Offer (see Section III, Part F); plus
- an amount equal to 15% of the total appraised fair market value of the fee simple. This amount will be paid if and when Hydro One elects to proceed with the Project. This timing is described further under Section III, Part G of this document.

- **Other Compensation Provisions:**

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (i.e. lawyer fees) associated with the review of applicable conveyancing agreements.

On a case-by-case basis, Hydro One will consider whether unique circumstances exist which require the payment of additional compensation such as the purchase of remnant parcels.

In circumstances where the Property Owner seeks to continue to use the newly-acquired Project Corridor lands, Hydro One will make all reasonable efforts to negotiate a licence-back arrangement for the ongoing occupation and use of the Project Corridor in compliance with Hydro One licensing policy.

Hydro One commits to compensating Property Owners for damages caused by the construction of the Project to the remaining portions of their lands.

Each Property Owner affected by the loss of wooded areas on the Project Corridor will be offered a reforestation program choice to be determined as a condition of the environmental assessment process. Choice will be negotiated on a case-by-case basis by each Property Owner.

Hydro One will provide appropriate compensation for the loss of tax benefits, if any, to the Property Owner if the qualifications for a Managed Forest Tax Incentive Program or the Conservation Land Tax Incentive Program are withdrawn in their entirety due to Hydro One acquiring interests in the Project Corridor and thereby reducing the area of the (a) individual managed forest area to less than the qualifying 10 acres; or (b) conservation land to less than 1.5 acres. These will be negotiated on a case-by-case basis.

D. Principles Applicable to Mandatory Buyouts

If a Property Owner's primary residence or a major farm building, or a major commercial/industrial building, is located within the new Project Corridor, Hydro One will offer a one-time choice of either: (i) acquiring the Property Owner's entire property parcel on which the Project Corridor is situated; or (ii) acquiring only that portion of the Property Owner's property that is on the Project Corridor lands and providing compensation for the loss of the primary residence, major farm building, or major commercial/industrial buildings, including reasonable relocation costs. This election cannot be subsequently revisited.

Compensation principles applicable to each of these choices are more fully described below.

1. Principles Applicable to Mandatory Full Parcel Buyout Offers

- **Valuation:**

The full parcel will be valued based on 100% of the appraised fair market value.

- **Damages attributable to Disturbance:**

Hydro One will provide an allowance for disturbance equal to 5% of the fair market value of the primary residence located on the parcel plus the fair market value of one acre of land.

- **Relocation Costs:**

Hydro One will reimburse all reasonable relocation costs incurred by Property Owners.

- **Incentive Compensation:**

Property Owners who accept Hydro One's offer to acquire full parcel buyouts will be provided with the following incentive compensation amounts:

- As per previously described easement and fee acquisition principles, a signing allowance amount of \$5,000; plus
- An additional amount equal to 5% of the appraised fair market value of the primary residence plus the fair market value of one acre of land.

- **Other Compensation Provisions:**

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (i.e. lawyer fees) associated with the review of applicable conveyancing agreements.

Where applicable, Hydro One will compensate for any reasonable, non-agricultural business loss.

Hydro One will also provide compensation for equivalent reinstatement and such other similar compensation as would be provided for under the *Expropriations Act*.

- **Dispute Resolution Mechanism:**

Non-agricultural business loss and equivalent reinstatement claims.

The settlement of claims for non-agricultural business loss or equivalent reinstatement costs by mandatory buyout Property Owners may occur following the in-service date of the Project.

In the event that a mandatory buyout Property Owner and Hydro One cannot mutually agree upon the fair value of such amounts, the dispute shall be referred to a binding independent review process. Under this process, the mandatory buyout Property Owner will be afforded the opportunity to obtain the services of an independent qualified appraiser to prepare a report that is limited to the fair value of (i) non-agricultural business loss and (ii) equivalent reinstatement claim amounts. Hydro One will also retain the services of a qualified appraiser to report on these items.

Both reports will then be submitted to an independent qualified third party expert who will have the opportunity to review each of the reports, question the appraisers, and accept final written submissions from each appraiser before making a final decision. The decision taken by the independent decision-maker will be limited to selecting one of the two appraisal reports.

Hydro One will reimburse the mandatory buyout Property Owner for reasonable costs incurred solely by the Property Owner's qualified appraiser to (i) prepare a report; and (ii) participate in the dispute resolution process. Hydro One will also pay for all costs incurred by the independent decision-maker.

2. Principles Applicable to Mandatory Buyout Offers For Project Corridor and Not Full Parcel Land Interests

•Valuation:

Required Project Corridor lands will be valued based on 100% of their appraised per acre fair market value. Buildings located within the Project Corridor and that must accordingly be removed will be valued at appraised fair market value.

•Injurious Affection:

Compensation for injurious affection is provided when reductions to the market value of the remaining property interests are estimated to result from Hydro One's use of the interest in land required for the Project. This amount is determined as part of the independent appraisal process. The analysis takes into consideration various attributes of the remaining property and whether a loss in market value is likely to result from the construction and operation of the Project.

Hydro One will ensure that all appraisals prepared by Hydro One's independent appraisers consider and, where applicable, make provision for any injurious affection arising to the remaining acreage of property affected by the Project Corridor that is owned by the Property Owner, net of the acreage comprising of Hydro One's existing transmission corridor and the Project Corridor lands. Property Owners who accept Hydro One's Offer will be provided the ability of having Hydro One's injurious affection amount made subject to a binding review process as described further in Section III, Part F of this document.

• **Damages attributable to Disturbance:**

Hydro One will provide an allowance for disturbances equal to 5% of the fair market value of the primary residence located on the parcel plus the fair market value of one acre of land.

• **Relocation Costs:**

Hydro One will reimburse all reasonable relocation costs incurred by Property Owners.

• **Incentive Compensation:**

Property Owners who accept Hydro One's Offer to acquire mandatory buyouts of Project Corridor lands will be provided with the following incentive compensation amounts:

- As per previously described easement and fee acquisition principles, a signing allowance amount of \$5,000; plus
- An additional amount equal to 5% of the appraised fair market value of the primary residence plus the fair market value of one acre of land.

• **Other Compensation Provisions:**

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (i.e. lawyer fees) associated with the review

of applicable conveyancing agreements. Where applicable, Hydro One will compensate for any reasonable, non-agricultural business loss.

Hydro One will offer to Property Owners the option to buy back Project Corridor lands at a nominal sum and with a grant of easement in favour of Hydro One for the construction and ongoing operation of the Project.

Each Property Owner affected by the loss of wooded areas on the Project Corridor will be offered a reforestation program choice to be determined as a condition of the environmental assessment process. Choice will be negotiated on a case-by-case basis by each Property Owner.

Hydro One will provide appropriate compensation for the loss of tax benefits, if any, to the Property Owner if the qualifications for a Managed Forest Tax Incentive Program or the Conservation Land Tax Incentive Program are withdrawn in their entirety due to Hydro One acquiring interests in the Project Corridor and thereby reducing the area of the (a) individual managed forest area to less than the qualifying 10 acres; or (b) conservation land to less than 1.5 acres. These will be negotiated on a case-by-case basis.

E. Principles Applicable to Voluntary Buyouts

Hydro One is also prepared to acquire full parcel land interests in three circumstances. These are referred to as voluntary buyout circumstances. Voluntary buyout circumstances are intended to provide certain Property Owners with the choice and opportunity to have Hydro One purchase their entire land parcel. Two of the voluntary buyout circumstances arise when primary residences are within 75 metres of the outside edge of the Project Corridor boundary:

- The first situation occurs where the Project Corridor lands are situated on the Property Owner's lands and the Property Owner's non-urban primary residence is located within 75 metres of the outer edge of the Project Corridor boundary.
- The second situation occurs where no Project Corridor land rights are required from an owner, but an owner's non-urban primary residence is within 75 metres of the outer edge of the Project Corridor boundary.

Hydro One's willingness to acquire full parcel interests from Property Owners in the first situation will extend for a three-year period commencing from the date that the Project is placed in service. This voluntary buyout offer will be included as part of the Option Agreement and will apply only to Property Owners registered on title as of the date of the offer. This principle will not apply to any successors in title during the three-year period or beyond.

Owners in Situation 2 will be given a Letter of Intent from Hydro One expressing its willingness to a voluntary

purchase of their property due to the proximity of their non-urban primary residence to the outer edge of Project Corridor boundary. This Letter of Intent will be valid for three years from the date that the Project is placed in service and will apply only to Situation 2 landowners registered on title as of the date of the Letter of Intent. This principle will not apply to any successors in title during the three-year period or beyond.

1. Compensation Principles Applicable to Voluntary Buyout Situation 1: Project Corridor Lands Required from Property Owner

•Valuation:

In circumstances where the Property Owner exercises the option to have Hydro One buyout the entire land parcel, the full parcel will be valued based on 100% of the appraised fair market value as of the date the Property Owner elects this option.

The Property Owner will have first selected either the easement or fee simple option (Section III, Parts B & C) and therefore all prior payments for acquired Project Corridor land interests (e.g., easement value, fee simple value, injurious affection, incentive compensation, woodlot compensation) will be deducted from the appraised full parcel fair market value determination.

•Incentive Compensation:

At the time a Property Owner elects to seek a voluntary buyout of his or her full parcel interests,

Hydro One commits to providing an additional amount equal to 5% of the appraised fair market value of the primary residence plus the fair market value of one acre of land; plus

- A signing allowance amount of \$5,000.

• **Relocation Costs:**

Hydro One will reimburse all reasonable relocation costs incurred by Property Owners.

• **Other Compensation Provisions:**

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (i.e. lawyer fees) associated with the review of the applicable conveyancing agreements.

2. Compensation Principles Applicable to Voluntary Buyout Situation 2: Project Corridor Lands Are Not Required from Landowner

In this situation Hydro One has not required any interests in land from the landowner for the Project, but the landowner's non-urban primary residence is situated within 75 metres of the outer edge of the Project Corridor boundary.

In such circumstances, Hydro One commits to offering to purchase the landowner's full parcel interest, open for acceptance during a three-year period commencing on the date upon which the Project is placed into service. This will be expressed in a Letter of Intent issued to landowners registered on title as of the date of the Letter of Intent. This voluntary buyout will not apply to any successors in title during the three-year period or beyond.

• **Valuation:**

The full parcel will be valued based on 100% of the appraised fair market value as at the date the landowner elects the offer to sell the full parcel interest.

3. Voluntary Buyouts in Farm-Specific Special Circumstances

Hydro One has also identified potential circumstances where the operation of the Project, in conjunction with Hydro One's existing and immediately adjacent transmission operations, is demonstrated to significantly and adversely affect the economic viability of a farm operation. If all of the following conditions are satisfied, Hydro One will offer affected Property Owners a voluntary buyout option. The conditions are as follows:

- The farm operation must take place on the existing easement(s) and Project Corridor easement lands and the arable portion of these lands must comprise at least 25% of the current arable portion of the overall farm operation.
- The Property Owner must provide written request to Hydro One seeking a voluntary buyout option. In this request the Property Owner must reasonably demonstrate how the ongoing farm operation is no longer economic due directly to Hydro One's use of the Project Corridor for the Bruce to Milton Project.
- The Property Owner is eligible to make his or her written request only within three years from the in-service date of the Project.

- If a voluntary buyout request is made, Hydro One will retain the services of an independent farm agricultural economist who will assess the ongoing economic viability claim. If the independent farm agricultural economist endorses the views of the Property Owner, Hydro One will offer to acquire the full parcel interests from the Property Owner and the following compensation principles will apply:

- **Valuation:**

The full parcel will be valued based on 100% of the then applicable appraised fair market value as at the date of endorsement of the independent farm agricultural economist.

All prior payments made in respect of Project Corridor interests (e.g. easement values, fee simple values, injurious affection, incentive compensation, woodlot compensation) will be deducted from the appraised full parcel fair market value determination.

- **Incentive Compensation:**

At the time a Property Owner elects to seek a

voluntary buyout of his or her full parcel interests, Hydro One commits to providing an additional amount equal to 5% of the appraised fair market value of the primary residence plus the fair market value of one acre of land.

- **Relocation Costs:**

Hydro One will reimburse all reasonable relocation costs incurred by Property Owners.

- **Other Compensation Provisions:**

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (i.e. lawyer fees) associated with the review of the associated conveyancing agreements.

If the decision of the independent farm agricultural economist is disputed by the Property Owner, Hydro One agrees to have the matter referred to and will participate in a binding third party dispute resolution process identical to that provided for in Section F of this document, except that in lieu of the independent AACI-Accredited Appraiser, the Property Owner shall obtain and submit a report from a second independent farm agricultural economist.

F. Ability to Challenge Appraised Injurious Affection Amounts

Hydro One acknowledges that one of the main compensation components contained in its offers to acquire easement interests and fees simple may involve the assessments for injurious affection upon remaining parcel lands. All of Hydro One's injurious affection assessments will be conducted by independent AACI-Accredited Appraisers.

As described in Section II, Part E of these land acquisition compensation principles, Property Owners are provided with the opportunity to obtain a second independent appraisal to consider the reasonableness of Hydro One's Offer. When a Property Owner elects to obtain an independent appraisal and differences arise with the injurious affection amounts found in each of the appraisals, these differences may be reviewed and a binding determination made by an independent party as to which amount is to be paid by Hydro One. The idea is that acceptance of Hydro One's Offer will allow Property Owners to take advantage of certain incentive compensation amounts, while allowing disputes concerning the injurious affection component amount to be impartially determined on an expedited basis. Acceptance of Hydro One's Offer also allows timely resolution of all necessary land acquisition requirements so that Hydro One may proceed with the construction and operation of the Project.

The injurious affection dispute resolution process will take the form of a binding independent "baseball-style" review process. Each of Hydro One and the Property

Owner's independent AACI appraisals will be submitted to an independent third party expert. The decision-maker will be instructed to decide which of the two injurious affection calculations set forth in the submitted appraisals is more reasonable, taking into account all applicable facts and circumstances. In making this determination, the decision-maker will apply the per acre fair market value amount that the parties will have already agreed to and which is set out in the Option Agreement. In reaching a decision, the independent decision-maker will have the discretion to ask questions of clarification to the appraisers, and, if necessary, request final written submissions from each appraiser before making a final and binding decision. This approach is intended to ensure that all parties act reasonably and fair and efficient results are achieved. Hydro One will reimburse the Property Owner for reasonable costs incurred solely by his or her appraiser to participate in this dispute resolution process.

Property Owners seeking to use the injurious affection dispute resolution process must notify Hydro One within 60 days from the date that the Option Agreement is executed. If such notification is not provided, the injurious affection amount described in Hydro One's independent appraisal shall apply.

G. Agreement Structure and Timing

These land acquisition compensation principles (other than reimbursement of independent review costs as discussed at page 3) will be incorporated into the terms and conditions of the land acquisition agreements made between Hydro One and Property Owners. Hydro One intends to have Property Owners enter into what is known as an Option Agreement. This agreement will grant to Hydro One the right to acquire either an easement interest or fee simple in the Project Corridor or parcel lands, as applicable. The Grant of Easement Agreement or Fee Simple Purchase and Sale Agreement will be attached to the Option Agreement. Hydro One's right to exercise its option will be limited to a period of 3 years commencing on the date the Property Owner executes the Option Agreement.

At the time the Option Agreement is signed, Hydro One will pay Property Owners incentive compensation of either \$5,000 or \$9,000, as the case may be, reflected in the foregoing options, and depending upon whether

independent reviews are required or whether challenges are made to the injurious affection component amounts. Hydro One expects to exercise the option and therefore pay the balance of the incentive compensation amounts if and when the Ontario Energy Board and environmental assessment approvals for the Project are satisfactorily and conclusively obtained. Compensation for the land interests will also be paid if and when Hydro One exercises its option to acquire the applicable interest.

Hydro One commits to having its Offer remain available to Property Owners until such time as Hydro One decides to seek expropriation authorization from the Ontario Energy Board pursuant to section 99 of the *OEB Act*. This step will happen only if and when Project approvals have been satisfactorily and conclusively obtained from the Ontario Energy Board and the Ministry of the Environment.



For general information...

Visit our website at:

www.HydroOneNetworks.com/BrucetoMilton



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