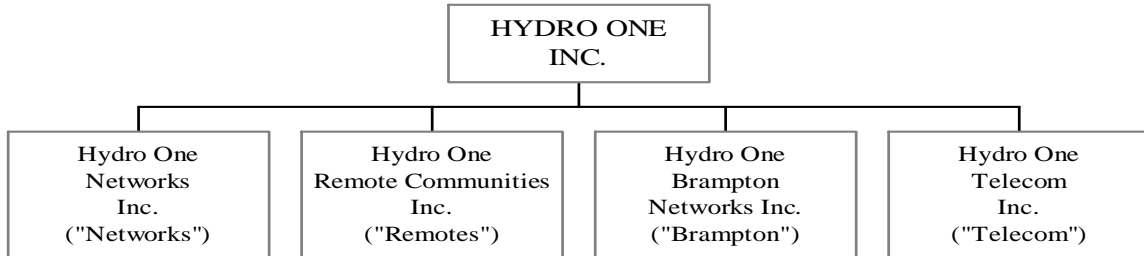


AFFILIATE SERVICE AGREEMENTS

1.0 INTRODUCTION

In accordance with the Affiliate Relationships Code (“ARC”), when Hydro One Distribution, as a business within Hydro One Networks (“Networks”), provides services to or purchases services from affiliates, it does so in accordance with service agreements. This Exhibit discusses the current agreements between Networks and its affiliates. Networks and its affiliates are displayed originally in the corporate organization chart in Exhibit A, Tab 8, Schedule 1 and repeated in Figure 1 below for convenience.

Figure 1
Hydro One Inc.



2.0 THE DEVELOPMENT OF THE SERVICE AGREEMENTS

As discussed in Exhibit A, Tab 8, Schedule 1, Hydro One’s primary distribution business is “housed” within Networks. Accordingly, representatives from Networks and the various affiliates identify and negotiate the nature of the services being provided or purchased, any specific terms and the prices (or, alternatively, the pricing formula) for these services. This information is then incorporated into legal agreements with commercial terms and conditions, then reviewed and approved by each company’s CEO or other accountable officer. Two agreements, which focus on the provision of common administrative services from Hydro One Inc. to its subsidiaries and from Networks to its

1 affiliates, are structured as multi-party agreements and accordingly, are reviewed and
 2 signed by all parties.

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The current agreements between Networks and its affiliates are listed below, in Table 1,
 which identifies the service provider and recipient, and briefly describes the services.

Table 1
Service Level Agreements – 2009

<i>Service Provider</i>	<i>Recipient(s)</i>	<i>Description of Services</i>
Hydro One Inc. (Appendix A)	Networks ¹ Telecom Remotes Brampton	<p>a) General Counsel and Secretary services – Professional legal advice and input as well as guidance on business ethics and support in the form of a business code of conduct.</p> <p>b) President / CEO / Chairman services – Strategic direction and management.</p> <p>c) Chief Financial Office services – Review of policies and procedures, investment decisions, treasury operations and tax planning, financial control and reporting.</p>
Networks (Appendix B)	Hydro One Inc. Remotes Telecom Brampton	<p>a) General Counsel and Secretary Services – Professional legal advice and input, and services regarding the protection of assets and management of security risks.</p> <p>b) Financial Services – Financial information, business planning, budgeting and financial reporting as well as other financial services such as treasury/pension/investor relations, taxation, financial systems and services, cost and inventory accounting, decision support, transaction processing (accounts payable and receivable), and fixed asset and general accounting.</p> <p>c) Corporate Services – Facility management and support services, human resource services and corporate communications.</p> <p>d) Telecommunications-related Services – Field and engineering, logistics, corporate, construction, telecommunication and information technology services.</p> <p>e) Other Services – Supply procurement, customer services operation and information management.</p>
Networks (Appendix C)	Remotes	CEO / President services – Administrative oversight, provision of strategic direction and advice, and advocacy of the service recipient’s position regarding operational and budgetary issues.

¹ Hydro One Inc. also provides certain assets to Hydro One Networks for its use.

<i>Service Provider</i>	<i>Recipient(s)</i>	<i>Description of Services</i>
Telecom (Appendix D)	Networks	Telecommunications Services – Monitoring of power system teleprotection, including analogue and digital microwave, PLC, fibre optic, radio and other systems. Monitoring, management and operation of power system and business system telecom services. Provision of alarm based services, coordinated network management services, systems analysis services and carrier/vendor management services on behalf of both power system and business system telecommunications.
Networks (Appendix E)	Remotes	Utility Operations Services – Provincial lines, forestry, drafting, environmental land assessment and remediation, fleet management, flight safety, training, safety, station maintenance, meter services, approval of plans, drawings and specification of installation work, and engineering and construction services.
Networks (Appendix F)	Remotes	Joint Use Services – Implementation of, and training on, joint use agreements and databases.
Remotes (Appendix G)	Networks	Metering and Lines Services – Lines Apprenticeship program instruction services, update, install, re-verify and sample meter changes and maintain the services recipient's distribution system.

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3.0 TERMS AND CONDITIONS

In accordance with the ARC, the agreements describe the nature of, and the fees payable for, the services they contain. This includes confidentiality, liability, and indemnification provisions. They also describe a dispute resolution process to which the parties must adhere in resolving disputes under the agreements. More details on the key clauses are provided below.

3.1 Description of Services

The agreements address Networks' provision of certain common administrative and corporate services and utility operation and maintenance services to its affiliates as well as the receipt by Networks of operating, certain common administrative and corporate,

1 and telecommunications services from them. The services are described in detail as a
2 schedule to the agreements.

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4 **3.2 Fees Payable**

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6 Pursuant to the ARC, where a utility provides a service, resource product or use of asset
7 to an affiliate, the utility shall charge no less than the greater of (i) the market price of
8 that service, product, resource or use of asset and (ii) the utility's fully-allocated cost to
9 provide that service, product, resource or use of asset. In purchasing a service, resource,
10 product or use of asset from an affiliate, a utility shall pay no more than the market price
11 for that service, product, resource or use of asset. Where no market exists, a utility shall
12 charge no less than its fully-allocated cost to provide the service, product, resource or use
13 of asset, and shall pay no more than the affiliate's fully-allocated cost to provide the
14 service, product, resource or use of asset.

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16 The annual fees payable to Networks by its affiliates for certain common administrative
17 and corporate services for the years 2009, 2010 and 2011 and the corresponding
18 applicable items are as follows:

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Table 2
Fees Payable to Networks for Services Provided

FEES PAYABLE BY AFFILIATES TO NETWORKS FOR SERVICES TO BE PROVIDED BY NETWORKS:					
(in \$Thousands)					
<i>Services</i>	Hydro One Inc.	Remotes	Telecom	Brampton	
General Counsel and Secretary Services					<ul style="list-style-type: none"> • Law • Corporate Secretariat • Regulatory Affairs • Regulatory Affairs - OEB Costs
<ul style="list-style-type: none"> • 2009 • 2010 • 2011 	82	236	82	164	
	90	311	90	180	
	92	318	92	184	
Financial Services					<ul style="list-style-type: none"> • Corporate Controller • Treasury • Tax • Financial Strategy • Internal Audit and Risk Management • Information Management
<ul style="list-style-type: none"> • 2009 • 2010 • 2011 	55	341	399	255	
	18	336	382	465	
	18	328	372	410	
Corporate Services					<ul style="list-style-type: none"> • Human Resources • Labour Relations • Communications • External Relations • Corporate Security • Supply Management • Sr. Vice President
<ul style="list-style-type: none"> • 2009 • 2010 • 2011 	0	168	165	27	
	0	227	347	29	
	0	241	358	30	
Telecommunication Services					<ul style="list-style-type: none"> • Telecom Services
<ul style="list-style-type: none"> • 2009 • 2010 • 2011 	0	141	233	0	
	0	132	277	0	
	0	134	280	0	
Other Services					Inergi: <ul style="list-style-type: none"> • Customer Support • Finance • Settlements • Human Resource • IT
<ul style="list-style-type: none"> • 2009 • 2010 • 2011 	0	489	1,063	0	
	0	531	1,748	0	
	0	544	1,795	0	

FEES PAYABLE BY AFFILIATES TO NETWORKS FOR SERVICES TO BE PROVIDED BY NETWORKS:					
(in \$Thousands)					
<i>Services</i>	Hydro One Inc.	Remotes	Telecom	Brampton	
CEO/President Services					CEO/President for Remotes; please see Appendix C.
• 2009	0	80	0	0	
• 2010	0	80	0	0	
• 2011	0	80	0	0	
Utility Operation Services					Not classified as Corporate Common Services; please see Appendix E.
• 2009	0	983	0	0	
• 2010	0	1,011	0	0	
• 2011	0	1,004	0	0	
Utility Joint Use Services					Not classified as Corporate Common Services; please see Appendix F.
• 2009	0	15	0	0	
• 2010	0	15	0	0	
• 2011	0	15	0	0	
• —					
Totals					
• 2009	137	2,453	1,942	446	
• 2010	108	2,643	2,844	674	
• 2011	110	2,664	2,897	624	

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The annual fees payable by Networks to Hydro One Inc. for certain common administrative and corporate services and payable by Networks to Hydro One Telecom Inc. for telecommunications services, for the years 2009, 2010 and 2011 and the applicable items are as follows:

Table 3
Fees Payable by Networks for Services Received

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FEE PAYABLE BY NETWORKS FOR SERVICES TO BE RECEIVED FROM HYDRO ONE INC. AND TELECOM:				
(in \$Thousands)				
<i>Services provided by Hydro One Inc.²</i>	2009	2010	2011	
General Counsel & Secretary	939	910	926	<ul style="list-style-type: none"> • Corporate Secretariat • Corporate Management
President / CEO / Chairman Services	3,012	3,077	3,144	<ul style="list-style-type: none"> • President/CEO Office • Chair • Board
Chief Financial Office Services	897	819	832	<ul style="list-style-type: none"> • CFO Office
Totals	4,848	4,806	4,902	
<i>Services provided by Telecom</i>				
Telecommunication Services	9,657	10,208	10,739	Not Classified as a Corporate Common Service; please see Appendix D.
Totals	9,657	10,208	10,739	

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3.3 Dispute Resolution Procedure

If the parties have a dispute under the agreement that cannot be resolved by a director or manager from each party, the dispute will be passed to the parties' respective presidents. If, after five business days after receipt of notice of the dispute the dispute is still unresolved, the matter proceeds to the President of Hydro One Inc. for final resolution.

² Hydro One Inc. also provides certain assets to Hydro One Networks for its use.

1 **3.4 Confidentiality**

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3 Except as required by law and in certain other circumstances (which exceptions are
4 typical in a confidentiality agreement), each party is to maintain in strict confidence the
5 agreement and all information received from the other party and shall not copy or
6 disclose the information to any third party without the prior written consent of the
7 disclosing party. No such consent is required for disclosure to the receiving party's
8 representatives. Such information includes information relating to a smart sub-metering
9 provider, wholesaler, consumer, retailer, or generator. The agreements also include
10 security safeguards to be adhered to by the party receiving such confidential information.

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12 **3.5 Intellectual Property**

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14 All rights, title and interests, including copyright ownership, to any reports and any other
15 deliverable that is to be produced and delivered to the service recipient by the service
16 provider vests with the service recipient and the recipient may use, disclose or modify
17 such reports or deliverable in any manner it deems appropriate.

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19 **3.6 Indemnification**

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21 Each party (the "indemnifying party") shall be liable for and shall indemnify the other
22 party from
23 and against all costs or damages attributable to the indemnifying party's performance
24 and/or non-performance of its obligations under agreement, whether arising from or
25 based on breach of contract, tort, negligence, strict liability or otherwise.
26 Notwithstanding any other provision of the agreement, neither party shall be liable for
27 any economic loss, loss of goodwill, loss of profit or for any special, indirect or
28 consequential damages where the said losses or damages are incurred by the other party

1 or by any third party claiming through or under the other party. The obligation to
2 indemnify survives the termination or expiry of the agreement.

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4 **4.0 COST-BASED PRICING**

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6 Where the fees payable for the services delivered between affiliates are cost-based, such
7 costs may be billed directly and the individual agreement will specify these fees. An
8 alternative is to allocate costs across a number of affiliates, based on the proportion of a
9 given service used by the affiliate or the benefit derived. Where this is done, a cost
10 allocation model is used. The Hydro One cost allocation model is described in Exhibit
11 C1, Tab 5, Schedule 1.