

July 10, 2015

Mr. Tim Wilson
Vice President, Customer & Information Services
Thunder Bay Hydro Electricity Distribution Inc.
34 Cumberland St N.
Thunder Bay, ON, P7A 4L4

Dear Mr. Wilson:

RE: Conditional Approval of CDM Plan

We acknowledge receipt of the joint CDM Plan submitted by Thunder Bay Hydro Electricity Distribution Inc., Atikokan Hydro Inc., Fort Frances Power Corporation, Kenora Hydro Electric Corporation Ltd., and Sioux Lookout Hydro Inc. on April 1, 2015 and updated on April 2, 2015, April 27, 2015, April 29, 2015, May 4, 2015, June 22, 2015 and July 10, 2015 (CDM Plan #: 201504010066) (the “**Proposed CDM Plan**”). The Proposed CDM Plan is submitted under section 2.1(a) of:

- a) the Energy Conservation Agreement between the Independent Electricity System Operator (previously, Ontario Power Authority) (“**IESO**”) and Thunder Bay Hydro Electricity Distribution Inc. (“**TBHEDI**”) dated November 27, 2014;
- b) the Energy Conservation Agreement between the IESO and Atikokan Hydro Inc. (“**AHI**”) dated December 29, 2014;
- c) the Energy Conservation Agreement between the IESO and Fort Frances Power Corporation (“**FFPC**”) dated December 29, 2014;
- d) the Energy Conservation Agreement between the IESO and Kenora Hydro Electric Corporation Ltd. (“**KHECL**”) dated December 24, 2014; and

- e) the Energy Conservation Agreement between the IESO and Sioux Lookout Hydro Inc. ("SLHI") dated December 15, 2014,

as applicable (each, the "Energy Conservation Agreement" or "Agreement").

As part of the Proposed CDM Plan, the IESO acknowledges receipt of the request to increase each of the CDM Plan Budgets of AHL, FFPC, KHECL and SLHI by 20% (each a "20% Adder"). In addition, the IESO acknowledges that FFPC has reallocated 313MWh from its CDM Plan Target, and \$104,204 from its CDM Plan Budget, to TBHEDI.

The Ontario Power Authority merged with the IESO on January 1, 2015. The amalgamation is effected by amendments to the *Electricity Act, 1998* enacted under *Bill 14, Building Opportunity and Securing Our Future Act (Budget Measures), 2014*. See www.ieso.ca.

Terms used in this letter that are defined in the Energy Conservation Agreement will have the meanings given to them in the Energy Conservation Agreement.

Subject to the exceptions set out below, the IESO approves the Proposed CDM Plan (the "CDM Plan") pursuant to section 2.1(b) of the Energy Conservation Agreement on the following terms and conditions:

- 1) The CDM Plan comprises the updated version of the documents submitted by the LDC set out at Schedule "A" and includes, for certainty, any responses to information requests;
- 2) Each LDC acknowledges the IESO has applied the 20% Adder as follows:
 - a) AHL's CDM Plan Budget is increased by \$62,296 to \$373,596
 - b) FFPC's CDM Plan Budget is increased by \$221,952 to \$1,223,842;
 - c) KHECL's CDM Plan Budget is increased by \$281,489 to \$1,688,937; and
 - d) SLHI's CDM Plan Budget is increased by \$203,218 to \$1,219,314.
- 3) Each of AHL, FFPC, KHECL and SLHI acknowledge and agree that:
 - (a) the 20% Adder applied to its CDM Plan Budget is conditional on it remaining in the CDM Plan for the duration of the term of the ECA; and
 - (b) the 20% Adder or any part thereof cannot be reallocated to another LDC. For clarity, each 20% Adder is granted to a specific LDC and such 20% Adder is not transferable in whole or in part.
- 4) Each LDC will submit an executed Declaration to Appoint an Agent and Representative for the Joint CDM Plan in the form attached hereto as Exhibit "B" on or before August 1, 2015;

- 5) Each LDC acknowledges and agrees that no approval is being granted in respect of the assumptions made by the LDC in Section G of the “Overview of CDM Plan”;
- 6) The Program Rules that apply to each of the approved Programs are those in effect as of the Program Start Date set out in the CDM Plan;
- 7) Except as otherwise agreed to in writing with the IESO, the LDC will only accept applications under the Energy Conservation Agreement as of the applicable Program Start Dates set out in the CDM Plan;
- 8) Each LDC will not accept applications under a Registered Initiative (as defined in the 2011-2014 Master CDM Program Agreement between the IESO and LDC, dated January 1, 2011) on or after the applicable Program Start Date of its successor Program under the Energy Conservation Agreement;
- 9) The IESO does not approve any of the proposed Programs set out in the CDM Plan, including, without limitation, any proposed regional or local CDM Programs or pilot Program (each a “**Proposed Program**” and collectively, the “**Proposed Programs**”). For certainty, the LDC is not entitled to receive any funding under the Energy Conservation Agreement, including, without limitation, reimbursement for Eligible Expenses relating to a Proposed Program that are incurred before such Proposed Program is approved;
- 10) In respect of the Proposed Programs:
 - a) the Program Start Dates for each respective Proposed Program are deleted. If the IESO approves a Proposed Program, the Program Start Date will be determined at the time of such approval;
 - b) in the case of a Proposed Program that is approved subsequent to the date of this letter, the LDC will submit a proposed amendment to the CDM Plan within 60 days of such approval reflecting the IESO’s approval;
 - c) in the case of a Proposed Program that is rejected, the LDC will submit an amended CDM Plan within 60 days of such rejection indicating how that portion of the LDC’s CDM Plan Target assigned to the Proposed Program will be achieved through approved Programs, proposed regional or local CDM Programs, or pilot Programs; and
 - d) the LDC shall submit an amended CDM Plan to allocate any “unassigned target” to an approved Program before the initiation of the Mid-Term Review;
- 11) Each LDC acknowledges that its implementation of the CDM Plan is based on its own assessment of its CDM Plan Target and CDM Plan Budget;

In light of the expectation that FFPC will not achieve 8.3% of its CDM Plan Target in each of 2015 and 2016, FFPC acknowledges and agrees that this conditional approval shall not constitute a waiver of the IESO’s rights and remedies pursuant to Sections 5.3 and 5.4 of

the ECA. Notwithstanding this conditional approval, the IESO reserves the right to exercise any rights and remedies at any time and from time to time;

- 12) Each LDC consents to the disclosure by the IESO of this letter and the LDC's CDM Plan in its entirety, including, without limitation, to the public, except for Anticipated Annual Budgets for Proposed Regional or Local CDM Programs or Pilot Programs.

Please confirm your agreement to the above-noted terms and conditions of this CDM Plan approval by countersigning this letter and returning a copy to the IESO. For certainty, if each LDC does not countersign and return this letter to the IESO, the CDM Plan approval will not be effective.

This approval may be signed and delivered by original or by email transmission and executed in any number of counterparts, and each executed counterpart will be considered to be an original. All executed counterparts taken together will constitute one agreement.

Should you have any questions or concerns, please do not hesitate to contact your Business Development contact Graham Smith at 416-969-6114.

On behalf of the IESO, I would like to congratulate you on reaching this important milestone. We look forward to working with you to help achieve your target.

Sincerely,



Terry Young,
Vice-President, Conservation & Corporate Relations

cc. Wilf Thorburn, President & CEO, Atikokan Hydro Inc.
Joerg Ruppenstein, President & CEO, Fort Frances Power Corporation
Dave Sinclair, President & CEO, Kenora Hydro Electric Corporation Ltd.
Deanne Kulchyski, President & CEO, Sioux Lookout Hydro Inc.

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

**THUNDER BAY HYDRO ELECTRICITY
DISTRIBUTION INC.**

By: _____ Date: _____

Name:

Title:

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

ATIKOKAN HYDRO INC.

By: _____ Date: _____

Name:

Title:

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

**FORT FRANCES POWER
CORPORATION**

By: _____ Date: _____

Name:

Title:

**The undersigned hereby acknowledges and
agrees to the terms and conditions set out
in this letter:**

**KENORA HYDRO ELECTRIC
CORPORATION LTD.**

By: _____ Date: _____

Name:

Title:

**The undersigned hereby acknowledges and
agrees to the terms and conditions set out
in this letter:**

SIOUX LOOKOUT HYDRO INC.

By: _____ Date: _____

Name:

Title:

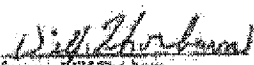
The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

THUNDER BAY HYDRO ELECTRICITY
DISTRIBUTION INC.

By:  Date: July 30, 2015
Name: Tim Wilson
Title: Vice President, Customer & Information Services

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

ATIKOKAN HYDRO INC.

By:  Date: July 20, 2015
Name: Will Thorburn
Title: President & CEO

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

FORT FRANCES POWER
CORPORATION

By:  Date: July 24, 2015
Name: Jorg Ruppensiein
Title: President & CEO

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

KENORA HYDRO ELECTRIC CORPORATION LTD

By:  Date: July 28/15
Name: Dave Stielair
Title: President & CEO

The undersigned hereby acknowledges and agrees to the terms and conditions set out in this letter:

SIoux LOOKOUT HYDRO INC.

By:  Date: July 29/15
Name: Deanne Kulchyski
Title: President & CEO

SCHEDULE "A"

#	File	File Name	Date Submitted
1	Updated Joint CDM Plan	CDM Joint Plan Template Final	July 10, 2015
2	Thunder Bay Hydro Distribution Inc. Signed Authorization Form	Thunder Bay_Authroization_Signed	March 30, 2015
3	Atikokan Hydro Inc. Signed Authorization Form	Atikikan_Authorization_Signed	March 31, 2015
4	Fort Frances Power Corporation Signed Authorization Form	Fort France_Authorization_Signed	March 31, 2015
5	Kenora Hydro Electric Corporation Ltd. Signed Authorization Form	Kenora Hydro_Authorization_Signed	March 31, 2015
6	Sioux Lookout Hydro Inc. Signed Authorization Form	Sioux Lookout_Authroization_Signed	March 31, 2015
7	Updated Thunder Bay Hydro Cost Effectiveness Tool	IESO CDM CE Tool_TBH Final	June 22, 2015
8	Updated Atikokan Hydro Cost Effectiveness Tool	IESO CDM CE Tool_AHI Final	May 4, 2015
9	Updated Fort Frances Power Cost Effectiveness Tool	IESO CDM CE Tool_FFPC Final	June 22, 2015
10	Updated Kenora Hydro Power Cost Effectiveness Tool	IESO CDM CE Tool_KH Final	May 4, 2015
11	Updated Sioux Lookout Hydro Cost Effectiveness Tool	IESO CDM CE Tool_SLH Final	May 4, 2015
12	Updated Thunder Bay Hydro Achievable Potential Calculator	IESO Achievable Potential Calculator Final v2_TBH	April 27, 2015
13	Updated Atikokan Hydro Achievable Potential Calculator	IESO Achievable Potential Calculator Final v2_AHI	April 27, 2015
14	Updated Fort Frances Power Achievable Potential Calculator	IESO Achievable Potential Calculator Final v2_FFPC	April 27, 2015
15	Updated Kenora Hydro Achievable Potential Calculator	IESO Achievable Potential Calculator Final v2_KH	April 27, 2015
16	Updated Sioux Lookout Hydro Achievable Potential Calculator	IESO Achievable Potential Calculator Final v2_SLH	April 27, 2015
17	Supporting Documentation -- Joint Plan Submission Report	TBH_CDMPlan_Apr2015	April 27, 2015
18	Supporting Documentation -- Response to IESO Information Request	TBH_IR Reponse_April27	April 27, 2015