

Ontario Energy Board
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Commission de l'Énergie de l'Ontario
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December 15, 2000

To: All Licensed Electricity Distributors

**Re: Notice of Proposed Amendment on Affiliate Relationships Code section 2.1.3
Board File No. RP-1999-0021**

The Ontario Energy Board approved and published the Affiliate Relationship Code for Electricity Distributors and Transmitters on April 1, 1999 ("the Code"). The Code sets standards and conditions for interactions between electricity distributors and their affiliated companies. Section 2.1.3 of the Code states that a utility shall ensure at least one-third of its board of directors are independent from any affiliate.

Many municipal utilities are being incorporated as 100 percent wholly owned subsidiaries of holding companies which are in turn 100 percent controlled by their corresponding municipalities. A number of utilities have applied to the Board for exemption from the section 2.1.3 of the Code to permit all of the board of directors of the distributor board to also be members of municipal holding companies in the initial stages of operation for consistency and efficiency. The Board has assessed these requests and granted exemptions to section 2.1.3 of the Code to some of these applicants. A number of other distributors have also applied and their applications are pending. Having acknowledged the need for a transition period, the Board is proposing to amend section 2.1.3 of the affiliate relationship code to permit flexibility in the appointment of directors during the first years of operation of the new utilities.

Condition 17.5 of the Transitional Distribution Licence authorizes the Board to make amendments to any of the Codes of its own motion. The Board proposes the following amendment to the Affiliate Relationship Code:

Add new definition to section 1.2

"Municipal utility" means a utility which is a corporation established pursuant to section 142 of *Electricity Act, 1998* that is exempt under subsection 149(1) of the *Income Tax Act (Canada)* from payment of tax under that Act;

Add:

2.1.4 Section 2.1.3 does not apply to a municipal utility until January 1, 2004

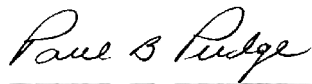
All persons are invited to comment on the proposed amendment. Please forward your comments by January 10, 2001 to the following address:

Elaine Wong, Regulatory Officer
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P.O. Box 2319
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Fax: (416) 440-7656
Email: wongel@oeb.gov.on.ca

Should you require additional information about this specific section of the code, please contact Brian Hewson, Manager Energy Licensing at (416) 440-7628 or Elaine Wong, Regulatory Officer at (416) 440-7638.

Yours truly,

A handwritten signature in cursive script that reads "Paul B. Pudge". The signature is written in black ink and is positioned above a thin horizontal line.

Paul B. Pudge
Board Secretary

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