

May 13, 2005

Mr. James Small  
Markham ECO – Senior Associate  
Canadian Urban Institute  
100 Lombard Street, Suite 400  
Toronto On M5C 1M3

Dear Mr. Small:

**Re: PowerStream Inc. – Markham ECO  
Letter of Engagement - Conservation & Demand Management Partnership**

I am pleased to advise you that PowerStream Inc. will enter into a formal partnership with Markham ECO to deliver specified Conservation & Demand Management (CDM) programs in the Markham sector of PowerStream's service territory.

As you are aware, these community partnerships form a key component of PowerStream's strategy for the delivery and execution of our CDM programs to our customers. We are pleased that Markham ECO has agreed to work with us in this capacity.

As PowerStream's CDM program is being financed by the "third tranche" funding provision approved by the Ontario Energy Board (OEB) as part of PowerStream's 2005 distribution rate application, all investments must be cost effective and satisfy a post-mortem OEB prudence review. Consequently, all projects will be subject to a Total Resource Cost test to allow for benchmarking and eventual reporting to the OEB.

The three-year funding pattern for our partnership is depicted in the following table. Please note two important qualifications:

- The funding of future-period projects is directly dependent upon program performance in the current period; and
- Due to the mid-2005 commencement of the program and required start-up activities, the funding provision for the calendar year 2005 is expected to only partially align with actual program spending, i.e. a segment of the 2005 funding provision will be deployed in early 2006.

**PowerStream Inc.**

2800 Rutherford Road, Vaughan, ON L4K 2N9 Tel: 905-417-6900 Fax: 905-303-2006 [www.powerstream.ca](http://www.powerstream.ca)

(\$ Thousands)

2005   2006   2007

Markham EOC Partnership Funding	\$ 500	\$ 250	\$ 250
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A more formal and detailed contract is being developed to provide specific terms and conditions for this engagement and will be duly executed by both parties. PowerStream looks forward to a productive and mutually beneficial partnership with Markham ECO.

Yours truly,

*per. [Signature]*

Brian Bentz  
President & CEO  
PowerStream Inc.

c.c.   Mr. John Livey  
      Mr. Patrick Guran

**PowerStream Inc.**

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