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SENT BY E-FILING AND COURIER

Toronto, March 26, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**RE: Five Nations Energy Inc. ("FNEI") – 2010 Transmission Rates Application
Board File No. EB-2009-0387
Updates to Application and Pre-filed Evidence**

We are counsel to FNEI.

In respect of the above-noted application, enclosed you will find seven (7) sets of updated documentation to be inserted into the two volumes of FNEI's pre-filed evidence dated February 25, 2010. (FNEI had previously filed seven hard copies of the two volumes of FNEI's pre-filed evidence with the Board.)

The evidentiary update pages are yellow, and clearly marked as "Updated: March 25, 2010". Detailed instructions regarding insertion of the updated pages are set out below. In addition to the enclosed seven (7) hard copies, we have re-filed the entire electronic version on the Board's RESS system.

Rationale for Updates

The updates to FNEI's original evidence result primarily from the following three changes:

- Capitalization of Interest (Fibre Optic Communication System): The original evidence failed to include capitalized interest in the capital cost associated with FNEI's recently-completed Fibre Optic Communication System. The impact of this is an increase in utility rate base of just over \$1 million (from approximately \$27.5 million to \$28.7 million).

- Decrease in Forecasted Land Rental/Usage Fees: The original forecast of \$246,000 in annual land rental/usage fees has been corrected to \$102,000. This update results in a decrease in the forecasted operations, maintenance and administration expense for 2010 of \$144,000 (from \$3.53 million to \$3.39 million), as well as a reduction in the allowance for working capital (from \$529,000 to \$508,000).
- Adjustment to OEB-Approved Return on Equity: On February 24, 2010, the OEB updated the ROE for use in 2010 rate year cost of service applications to 9.85%. FNEI's original application had requested an ROE of 9.75%. As a result of this update, FNEI's projected cost of equity for the 2010 test year increased by \$57,200 (from \$1,073,100 to \$1,130,300).

The overall impacts of the updates to FNEI's evidence are modest. The 2010 transmission revenue requirement now being applied for is \$6,466,100 (as opposed to \$6,474,700 in the original application). There continues to be no change to the Uniform Transmission Rates that would result from FNEI's application.

Detailed Instructions for Updated Evidentiary Pages

As noted, enclosed are seven (7) complete sets of updated evidentiary pages. All but the first two pages in every set are yellow in colour and three-hole punched (for insertion into the two binders). The first two pages are white, and are to be inserted in the outer sleeve of each binder (Volumes 1 and 2). These new cover sleeve inserts indicate that the application and evidence were updated on March 25, 2010.

The yellow pages should be placed in the two volumes as follows:

Volume 1

- New title page to be inserted before Exhibit 1, Tab 1, Schedule 1.
- *Application* (Exhibit 1, Tab 1, Schedule 2): replace the first two of three pages.
- *Specific Orders Sought* (Exhibit 1, Tab 1, Schedule 5): replace this one page schedule..
- *Status of Board Directives* (Exhibit 1, Tab 1, Schedule 13): replace only Page 11 of 12.
- *Summary of the Application* (Exhibit 1, Tab 2, Schedule 1): replace Pages 1, 4, 5, 6, 7 and 8 of 8.
- *Calculation of Transmission Revenue Requirement* (Exhibit 1, Tab 2, Schedule 4): replace this one page schedule.

- *Numerical Description of the Deficiency/Sufficiency* (Exhibit 1, Tab 2, Schedule 5): replace both pages of this schedule.
- *Pro Forma Financial Statements* (Exhibit 1, Tab 3, Schedule 2): replace all four pages with three revised pages.
- *Reconciliation of OM&A to Financial Statements* (Exhibit 1, Tab 3, Schedule 3): replace this one page schedule.
- *Materiality Threshold* (Exhibit 1, Tab 4, Schedule 1): replace this one page schedule.
- *Rate Base Overview* (Exhibit 2, Tab 1, Schedule 1): replace Pages 1, 37 and 44 of 45.
- *Numerical Summary of Rate Base* (Exhibit 2, Tab 1, Schedule 2): replace this one page schedule.
- *Numerical Summary of Capital Expenditures* (Exhibit 2, Tab 1, Schedule 3): replace both pages of this schedule.
- *PPE – Average of Opening and Closing Balances (2009)* (Exhibit 2, Tab 10, Schedule 1): replace this one page schedule.
- *PPE – Detailed (2009)* (Exhibit 2, Tab 10, Schedule 2): replace all three pages of this schedule.
- *PPE – Average of Opening and Closing Balances (2010)* (Exhibit 2, Tab 11, Schedule 1): replace this one page schedule.
- *PPE – Detailed (2010)* (Exhibit 2, Tab 11, Schedule 2): replace all three pages of this schedule.
- *Working Capital Allowance (2010)* (Exhibit 2, Tab 11, Schedule 3): replace this one page schedule.

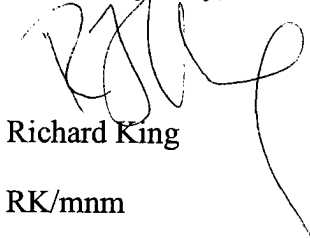
Volume 2

- *Numerical Summary of Cost of Service* (Exhibit 4, Tab 1, Schedule 1): replace this one page schedule.
- *OM&A Variance Analysis* (Exhibit 4, Tab 2, Schedule 2): replace Pages 1, 4 and 5 of 15.

- *Numerical Summary of OM&A* (Exhibit 4, Tab 2, Schedule 3): replace both pages of this schedule.
- *Numerical Summary of Depreciation and Amortization* (Exhibit 4, Tab 3, Schedule 2): replace both pages of this schedule.
- *Detailed Depreciation and Amortization* (Exhibit 4, Tab 3, Schedule 3): replace Pages 9 and 10 of 10.
- *Taxes* (Exhibit 4, Tab 4, Schedule 1): replace this one page schedule.
- *Cost of Capital* (Exhibit 5, Tab 1, Schedule 1): replace all three pages of this schedule.
- *Numerical Summary of Cost of Capital* (Exhibit 5, Tab 1, Schedule 2): replace Pages 2 and 3 of 3.
- *Calculation of Revenue Deficiency* (Exhibit 6, Tab 1, Schedule 1): replace this one page schedule.
- *Cost Allocation to Rate Pools* (Exhibit 7, Tab 1, Schedule 1): replace this one page schedule.
- *Calculation of Uniform Transmission Rates* (Exhibit 8, Tab 2, Schedule 1): replace Pages 2, 3, 4 and 5 of 6.
- *Uniform Transmission Rate Reconciliation* (Exhibit 8, Tab 2, Schedule 2): replace this one page schedule.

Should you have any questions, please feel free to contact me.

Yours very truly,



Richard King

RK/mnm

Encl.

cc. Joe Gaboury
Rod Reimer

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Five Nations
Energy Inc. for an Order or Orders pursuant to section 78 of the
Ontario Energy Board Act, 1998 for 2010 transmission rates and
related matters.

EB-2009-0387

Five Nations Energy Inc.

February 25, 2010
Updated: March 25, 2010

Exhibit 1, Tab 1, Schedule 1

Exhibit List

EXHIBIT LIST

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5	1	1	Cost of Capital
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6 – CALCULATION OF REVENUE DEFICIENCY

6	1	1	Calculation of Revenue Deficiency
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7 – COST ALLOCATION

7	1	1	Cost Allocation to Rate Pools
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8 – RATE DESIGN

8	1	1	Charge Determinant Forecast
	2	1	Calculation of Uniform Transmission Rates
		2	Uniform Transmission Rate Reconciliation
		3	Ontario Transmission Rate Schedule

9 – DEFERRAL AND VARIANCE ACCOUNTS

9	1	1	Deferral And Variance Accounts
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Exhibit 1, Tab 1, Schedule 2

Application

1 c. making FNEI's current rates interim as of January 1, 2010; and,

2 d. establishing a deferral account to record the revenue requirement deficiencies

3 incurred from January 1, 2010 until FNEI's proposed 2010 rates are implemented.

4 4. FNEI's forecasted revenue requirement for 2010 is \$6,466,100. Based on current
5 transmission rates and forecasted load, FNEI forecasts a 2010 revenue deficiency of
6 \$1,388,160.

7 5. This Application is made in accordance with Chapter 2 of the Board's *Filing Requirements*
8 *for Transmission and Distribution Applications* dated May 27, 2009.

9 6. This Application will be supported by written evidence, to be filed in January 2010. The
10 written pre-filed evidence may be amended from time to time, prior to the Board's final
11 decision on this Application. Further, the Applicant may seek meetings with Board staff
12 and intervenors in an attempt to identify, and reach agreements to settle, issues arising out
13 of this Application.

14 7. The Applicant requests that a copy of all documents filed with the Board in this proceeding
15 be served on the Applicant and the Applicant's counsel, as follows:

16 The Applicant:

17 Five Nations Energy Inc.
18 P.O. Box 370
19 Moose Factory, ON P0L 1W0

1 Attention:
2 Joe Gaboury, Chief Executive Officer
3 joe.gaboury@fivenations.ca
4 Telephone: (705) 268-0056
5 Fax: (705) 268-0071

6 The Applicant's Counsel:

7 Ogilvy Renault LLP
8 Royal Bank Plaza, South Tower
9 200 Bay Street, Suite 3800
10 Toronto, ON M5J 2Z4

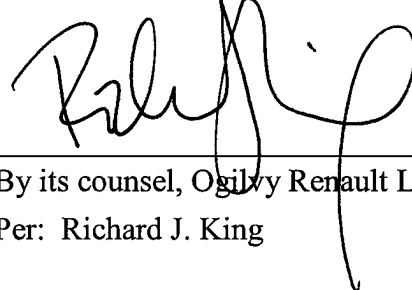
11 Attention:
12 Mr. Richard J. King
13 rking@ogilvyrenault.com
14 Telephone: (416) 216-2311
15 Fax: (416) 216-3930

16 – and –

17 Mr. John Beauchamp
18 jbeauchamp@ogilvyrenault.com
19 Telephone: (416) 216-1927
20 Fax: (416) 216-3930

21 **DATED** at Toronto, Ontario, this 25th day of February, 2010.

FIVE NATIONS ENERGY INC.



By its counsel, Ogilvy Renault LLP

Per: Richard J. King

Exhibit 1, Tab 1, Schedule 3

FNEI Transmission Licence



Electricity Transmission Licence

ET-2003-0074

Five Nations Energy Inc.

Valid Until

December 23, 2023

Original signed by

Jennifer Lea
Counsel, Special Projects
Ontario Energy Board
Date of Issuance: December 24, 2003
Date of Amendment: November 3, 2009

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th. Floor
Toronto, ON M4P 1E4

Commission de l'énergie de l'Ontario
C.P. 2319
2300, rue Yonge
27e étage
Toronto ON M4P 1E4

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1 Definitions

In this Licence:

"Accounting Procedures Handbook" means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

"Act" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"Affiliate Relationships Code for Electricity Distributors and Transmitters" means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"Board" means the Ontario Energy Board;

"Electricity Act" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"Licensee" means Five Nations Energy Inc.

"Market Rules" means the rules made under section 32 of the Electricity Act;

"Performance Standards" means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

"Rate Order" means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

"transmission services" means services related to the transmission of electricity and the services the Board has required transmitters to carry out for which a charge or rate has been established in the Rate Order;

"Transmission System Code" means the code approved by the Board and in effect at the relevant time, which, among other things, establishes the obligations of a transmitter with respect to the services and terms of service to be offered to customers and provides minimum technical operating standards of transmission systems;

"wholesaler" means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2 Interpretation

- 2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens. Where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence to own and operate a transmission system consisting of the facilities described in Schedule 1 of this Licence, including all associated transmission equipment.

4 Obligation to Comply with Legislation, Regulations and Market Rules

- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.
- 4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Comply with Codes

- 5.1 The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the Licensee are set out in Schedule 2 of this Licence. The following Codes apply to this Licence:
- a) the Affiliate Relationships Code for Electricity Distributors and Transmitters; and
 - b) the Transmission System Code.
- 5.2 The Licensee shall:
- a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and
 - b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

6 Requirement to Enter into an Operating Agreement

- 6.1 The Licensee shall enter into an agreement ("Operating Agreement") with the IESO providing for the direction by the IESO of the operation of the Licensee's transmission system. Following a request made by the IESO, the Licensee and the IESO shall enter into an Operating Agreement

within a period of 90 business days, unless extended with leave of the Board. The Operating Agreement shall be filed with the Board within ten (10) business days of its completion.

- 6.2 Where there is a dispute that cannot be resolved between the parties with respect to any of the terms and conditions of the Operating Agreement, the IESO or the Licensee may apply to the Board to determine the matter.

7 Obligation to Provide Non-discriminatory Access

- 7.1 The Licensee shall, upon the request of a consumer, generator, distributor or retailer, provide such consumer, generator, distributor or retailer, as the case may be, with access to the Licensee's transmission system and shall convey electricity on behalf of such consumer, generator, distributor or retailer in accordance with the terms of this Licence, the Transmission System Code and the Market Rules.

8 Obligation to Connect

- 8.1 If a request is made for connection to the Licensee's transmission system or for a change in the capacity of an existing connection, the Licensee shall respond to the request within 30 business days.
- 8.2 The Licensee shall process connection requests in accordance with published connection procedures and participate with the customer in the IESO's Connection Assessment and approval process in accordance with the Market Rules, its Rate Order(s) and the Transmission System Code.
- 8.3 An offer of connection shall be consistent with the terms of this Licence, the Market Rules, the Rate Order, and the Transmission System Code.
- 8.4 The terms of such offer to connect shall be fair and reasonable.
- 8.5 The Licensee shall not refuse to make an offer to connect unless it is permitted to do so by the Act or any Codes, standards or rules to which the Licensee is obligated to comply with as a condition of this Licence.

9 Obligation to Maintain System Integrity

- 9.1 The Licensee shall maintain its transmission system to the standards established in the Transmission System Code and Market Rules, and have regard to any other recognized industry operating or planning standards required by the Board.

10 Transmission Rates and Charges

- 10.1 The Licensee shall not charge for the connection of customers or the transmission of electricity except in accordance with the Licensee's Rate Order(s) as approved by the Board and the Transmission System Code

11 Separation of Business Activities

- 11.1 The Licensee shall keep financial records associated with transmitting electricity separate from its financial records associated with distributing electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

12 Expansion of Transmission System

- 12.1 The Licensee shall not construct, expand or reinforce an electricity transmission system or make an interconnection except in accordance with the Act and Regulations, the Transmission System Code and the Market Rules.

13 Provision of Information to the Board

- 13.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.
- 13.2 Without limiting the generality of paragraph 13.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) business days past the date upon which such change occurs.

14 Restrictions on Provision of Information

- 14.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator, obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.
- 14.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:
- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;
 - b) for billing, settlement or market operations purposes;
 - c) for law enforcement purposes; or
 - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.
- 14.3 Information regarding consumers, retailers, wholesalers or generators may be disclosed where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.
- 14.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.
- 14.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information is not be used for any other purpose except the purpose for which it was disclosed.

15 Term of Licence

- 15.1 This Licence shall take effect on December 24, 2003 and expire on December 23, 2023. The term of this Licence may be extended by the Board.

16 Transfer of Licence

- 16.1 In accordance with subsection 18(2) of the Act, this Licence is not transferable or assignable without leave of the Board.

17 Amendment of Licence

- 17.1 The Board may amend this Licence in accordance with section 74 of the Act or section 38 of the Electricity Act.

18 Fees and Assessments

- 18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

19 Communication

- 19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.
- 19.2 All official communication relating to this Licence shall be in writing.
- 19.3 All written communication is to be regarded as having been given by the sender and received by the addressee:
- a) when delivered in person to the addressee by hand, by registered mail or by courier;
 - b) ten (10) business days after the date of posting if the communication is sent by regular mail; and
 - c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

20 Copies of the Licence

- 20.1 The Licensee shall:
- a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and
 - b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

SCHEDULE 1 SPECIFICATION OF TRANSMISSION FACILITIES

This Schedule specifies the facilities over which the Licensee is authorized to transmit electricity in accordance with paragraph 3 of this Licence.

1. A 138 kV three-phase line approximately 190 km in length beginning at approximately 80 km northwest of Moosonee and running northwest along James Bay by way of Fort Albany and Kashechewan and terminating at Attawapiskat.
2. Three step-down substations, one in each of Fort Albany, Kashechewan and Attawapiskat to supply the electrical distribution systems in these communities.
3. A second 138 kV three-phase line approximately 179 km in length beginning at Moosonee and running northwest along James Bay, parallel to the original 138 kV circuit terminating in Kashechewan (Interim).
4. A 138 kV switching station in Kashechewan where both 138 kV circuits in parallel from Moosonee terminate (Interim).

SCHEDULE 2 LIST OF CODE EXEMPTIONS

This Schedule specifies any specific Code requirements from which the licensee has been exempted.

None

Exhibit 1, Tab 1, Schedule 4

Contact Information

CONTACT INFORMATION

Applicant:

Five Nations Energy Inc.
P.O. Box 370
Moose Factory, ON P0L 1W0 (mailing address)

– or –

Five Nations Energy Inc.
70-C Mount Joy Street North
Suite 421
Timmins, ON P4N 4V7 (courier address)

Attention:
Joe Gaboury, Chief Executive Officer
joe.gaboury@fivenations.ca
Telephone: (705) 268-0056
Fax: (705) 268-0071

Applicant's Counsel:

Ogilvy Renault LLP
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3800
Toronto, ON M5J 2Z4

Attention:
Mr. Richard J. King
rking@ogilvyrenault.com
Telephone: (416) 216-2311
Fax: (416) 216-3930

– and –

Mr. John Beauchamp
jbeauchamp@ogilvyrenault.com
Telephone: (416) 216-1927
Fax: (416) 216-3930

Exhibit 1, Tab 1, Schedule 5

Orders Sought

SPECIFIC ORDERS SOUGHT

FNEI applies for an Order or Orders of the Board granting:

- a. approval of FNEI's forecasted 2010 transmission revenue requirement of \$6,466,100;
- b. approval of updated Uniform Transmission Rates for Ontario that allow FNEI to recover its forecasted 2010 transmission revenue requirement;
- c. approval for FNEI's current rates to be made interim as of January 1, 2010;
- d. approval for FNEI's proposed rates to be made effective as of January 1, 2010; and,
- e. an Accounting Order to establish a deferral account to record the revenue requirement deficiencies incurred from January 1, 2010 until FNEI's proposed 2010 rates are implemented.

Exhibit 1, Tab 1, Schedule 6

Issues List

PROPOSED ISSUES LIST

1. Calculation of Transmission Rate Base for the Test Year
 - (a) Capital Expenditures 2010
 - (b) Capital Expenditures (Historic Years)
 - (c) Working Cash Allowance
2. Transmission Operating Costs for the Test Year
 - (a) Operations, Maintenance & Administration
 - (i) Variance Analysis
 - (b) Depreciation and Amortization
3. Operating Revenue
 - (a) Transmission Services Revenue
 - (b) Other Income
4. Transmission Cost of Capital for the Test Year
 - (a) Capital Structure
 - (b) Cost of Debt
 - (c) Internally Generated Funds / Cost of Equity
5. Rate Recovery of Revenue Requirement
 - (a) Cost Allocation

- 1 (b) Rate Design
- 2 (i) Charge Determinant Forecast
- 3 (ii) Calculation of Uniform Rates
- 4 6. Variance and Deferral Accounts
- 5 (a) New Variance and Deferral Account

Exhibit 1, Tab 1, Schedule 7

Procedural Orders, Correspondence and Notices

1 **PROCEDURAL ORDERS – CORRESPONDENCE – NOTICES**

2 Please see the attached for all procedural orders, correspondence and notices related to this
3 transmission rate application.

Exhibit 1, Tab 1, Schedule 8

Accounting Orders

1

ACCOUNTING ORDERS

2 FNEI currently has no Accounting Orders.

Exhibit 1, Tab 1, Schedule 9

Compliance with Uniform System of Accounts

1 **COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS**

2 FNEI is not aware of any non-compliance with the Uniform System of Accounts

Exhibit 1, Tab 1, Schedule 10

Description of Utility Operations

DESCRIPTION OF UTILITY OPERATIONS

FNEI's transmission system, which is shown on the system map attached hereto as Appendix "A" is located along the western coast of James Bay in northern Ontario and consists of the following:

- a 138 kV three-phase line approximately 190 km in length beginning at approximately 80 km northwest of Moosonee and running northwest along James Bay by way of Fort Albany and Kashechewan, and terminating at Attawapiskat; and,
- three step-down substations, one in each of Fort Albany, Kashechewan and Attawapiskat to supply the electrical distribution systems in each of these communities;

In addition, FNEI is currently operating the following assets:

- a second 138 kV three-phase line approximately 179 km in length beginning at Moosonee and running northwest along James Bay, parallel to the original 138 kV circuit terminating in Kashechewan; and
- a 138 kV switching station in Kashechewan where both 138 kV circuits in parallel from Moosonee terminate.

These latter assets are owned by De Beers Canada, but will be transferred to FNEI once certain permits to be issued under the *Indian Act* (Canada) are obtained. A detailed description of FNEI's transmission system is set out as Exhibit 1, Tab 2, Schedule 1.

APPENDIX “A”

FNEI SYSTEM MAP

Exhibit 1, Tab 1, Schedule 11

Neighbouring Utilities

1 **NEIGHBOURING UTILITIES**

2 FNEI's neighbouring utilities are:

- 3 • Hydro One Networks Inc. (ET-2003-0035);
- 4 • Attawapiskat Power Corporation (ED-2001-0090);
- 5 • Fort Albany Power Corporation (ED-2003-0079); and
- 6 • Kashechewan Power Corporation (ED-2003-0081).

Exhibit 1, Tab 1, Schedule 12
Corporate and Utility Organization

1 **CORPORATE AND UTILITY ORGANIZATION**

2 1. **Utility Organizational Structure**

3 FNEI's current internal organizational structure is presented in Appendix "A".

4 2. **Corporate Entities Relationship Chart**

5 A corporate entities relationship chart for FNEI is provided in Appendix "B".

APPENDIX “A”

FNEI ORGANIZATIONAL STRUCTURE

FNEI ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

Peter Paulmartin

George Hookimaw

Jesse Koosees

Mary Williams

For Albany Power Corporation (seat vacant)

Andrew Linklater

Chief Dwight Sutherland

Moose Cree First Nation (seat vacant)

FNEI OFFICERS

Mike Metatawabin, *President*

Ed Chilton, *Secretary Treasurer*

OPERATIONAL MANAGEMENT

Joe Gaboury, *Chief Executive Officer*

John Sucee, *Operations Manager*

Chris Innes, *Operations Technician*

Rose Anna Campbell, *Administrative Assistant*

APPENDIX “B”

CORPORATE ENTITIES RELATIONSHIP CHART

CORPORATE ENTITIES RELATIONSHIP CHART

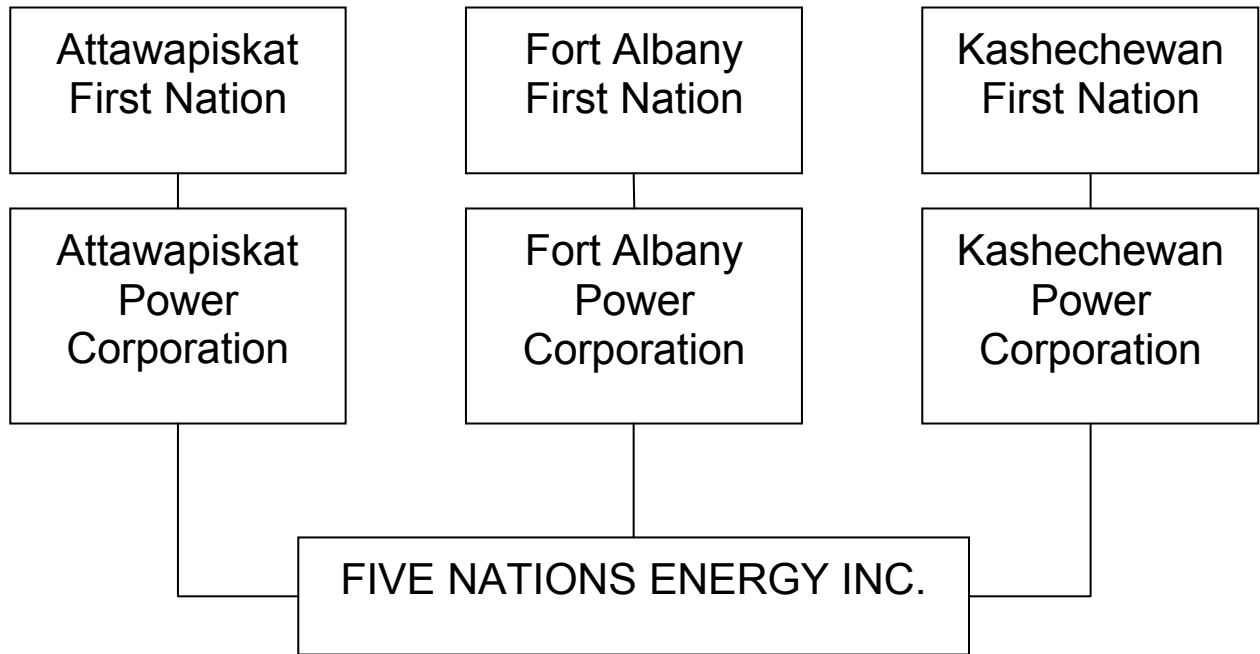


Exhibit 1, Tab 1, Schedule 13

Status of Board Directives

STATUS OF BOARD DIRECTIVES

In FNEI's previous rate proceeding (RP-2001-0036), the Board directed FNEI, as follows:

Description	Board Directive
Design for Reserve Funds and Maintenance of Non-Profit Status	"... the Board directs FNEI to file, at its next rate case, a design for a reserve fund as the Company has indicated it is willing to do. The Board also directs the Company to include in this report a description of the measures that will be taken to deal with the issue of maintaining its non-profit status." (Board Decision, RP-2001-0036, p. 16)
Internally Generated Funds versus ROE	"Given that FNEI does not, by its form of incorporation, have share capital, the Board believes that it is inappropriate to describe amounts included in its revenue requirements that are in excess of its projected expenditures as a 'return on equity'... The Board directs FNEI to describe this excess of revenue over expenditures as 'Internally Generated Funds', until such time as the Board can consider and approve FNEI's proposal for one or more reserves." "The Board also directs FNEI not to use this Internally Generated Funds account to charge against this account expenditures that would otherwise be charged to revenue requirement or rate base accounts." (Board Decision, RP-2001-0036, pp. 16 & 17)
TIER Mechanism	"The Board notes the use of the TIER mechanism by non-profit utilities in other jurisdictions and directs FNEI to use this method of calculating the amount to be included in its revenue requirement in future rate hearings." (Board Decision, RP-2001-0036, p. 17)

The status of each of these directives is set out below.

Directive re: Design for Reserve Funds and Maintenance of Non-Profit Status

At its last proceeding, three potential reserve funds were discussed: (a) an insurance reserve (i.e., a fund to self-insure FNEI's transmission assets); (b) a capital reserve; and (c) an operating

1 reserve. To date, FNEI has only established and fully funded one of these reserve accounts (and
2 Insurance Reserve).

3 **(a) Insurance Reserve:** FNEI considered the Insurance Reserve fully funded as of March 2007,
4 when it reached \$4 million. This amount is reflected in FNEI's financial statements (see the
5 "RESTRICTED DEPOSITS" asset on FNEI's Balance Sheet, and corresponding "EQUITY IN
6 INSURANCE RESERVE FUND" entry in the Liabilities and Utility Equity portion of FNEI's
7 Balance Sheet).

8 At the time when FNEI was being constructed and coming into service, the ability to acquire
9 affordable assurance on electricity transmission assets was severely hampered by the Quebec ice
10 storm of 1998. However, insurance on FNEI's assets was necessary for two reasons: (a) to
11 ensure that equipment replacements could be made and operations carried on in the event of an
12 event that compromised FNEI's system; and (b) FNEI's lenders required the assets to be insured.
13 Once FNEI commenced operations and started to receive transmission revenues, FNEI began to
14 build up funds in an Insurance Reserve. However, until sufficient funds were in the Insurance
15 Reserve, FNEI needed an interim insurance arrangement. Because transmission insurance was
16 difficult to obtain, prior to adequate funding of FNEI's Insurance Reserve, FNEI had an
17 agreement with Hydro One Networks Inc. ("HONI") to backstop any insurance-type
18 expenditures (the "Backstop Agreement") on FNEI's system. Under the terms of this
19 Agreement, FNEI paid HONI an annual fee of \$125,000. The Backstop Agreement is no longer
20 in effect.

1 As noted, by March 2007, FNEI considered its Insurance Reserve fully funded. Determining the
2 appropriate quantum for the Insurance Reserve was driven in part by the requirements of FNEI's
3 lenders. As the applicable Note in FNEI's financial statements indicates, the November 2006
4 Credit Agreement between FNEI (as borrower) and Manulife Financial Corp. and Pacific &
5 Western Bank of Canada (as lenders) requires that \$4 million be set aside in an Insurance
6 Reserve fund.

7 In order to ensure that the Insurance Reserve is appropriately funded going forward, FNEI will
8 periodically discuss the Insurance Reserve amount with its lenders and third-party insurance
9 brokers.

10 **(b) *Capital Reserve and Operating Reserve:*** In addition to the Insurance Reserve, FNEI's
11 Balance Sheet shows three other line items:

- 12 • Equity in Operating Fund: Monies that have not been allocated to one of the other Funds
13 will get allocated to this Fund (i.e., akin to Account 3045 in the Board's Uniform System
14 of Accounts (Unappropriated Retained Earnings)). In the first three quarters of any
15 calendar year, FNEI's current earnings will go into this Operating Fund, and at the end of
16 the year, earnings have historically been transferred to the Capital Reserve to bring the
17 Operating Fund balance to zero. In 2009, the Operating Fund may be brought in to a
18 negative balance in order to avoid having the Capital Reserve in a deficit position.

- 1 • Equity (Deficit) in Capital Reserve: The amount in the Capital Reserve represents the
2 equity set aside for future capital expenditures. The balance of the Capital Reserve is
3 expected to be nil at December 31, 2009.

- 4 • Equity in Capital Fund: This amount represents the equity invested by FNEI in capital
5 assets (i.e., the capital asset balance per FNEI's Balance Sheet less the outstanding debt
6 (both current and long-term)).

7 Thus, the Operating Fund and Capital Reserve are linked (in that current earnings are held in the
8 Operating Fund in any current year, and then transferred at year's end). FNEI's Capital Reserve
9 is unfunded at present because FNEI has made significant capital expenditures since its last rate
10 proceeding (as described in Exhibit 2, Tab 1, Schedule 1 – "Rate Base Overview"). These
11 capital expenditures have been made out of FNEI's earnings, as well as debt financing.

12 ***(c) Maintenance of FNEI's Non-Profit Status:*** FNEI wishes to provide some background
13 information about FNEI's non-profit status and how that relates to the earning of revenues in
14 excess of FNEI's costs and the ultimate use of those revenues (including their allocation to the
15 Insurance Reserve Fund, Capital Reserve and Operating Fund).

16 FNEI's initial rate application was (to FNEI's knowledge) the first rate application filed by a
17 non-profit utility with this Board. Issues regarding whether and how a non-profit utility should
18 earn revenues in excess of its costs had never before been considered. Thus, the Board had no
19 precedent or institutional experience to draw upon to deal with these unique issues. Moreover, at
20 the time of filing its transmission rate application, FNEI's system had not been electrified (and,

consequently, FNEI had no operational experience to provide assist the Board in dealing with the issues). FNEI has not been before this Board for a rate proceeding since its initial (pre-operational) proceeding (RP-2001-0036). FNEI now has over eight years of operational and financial experience, which will assist the Board in understanding how FNEI operates its system, and earns and spends its revenues.

FNEI has been operating (at least partially) just over eight years (since November 2001). In FNEI's experience, the funding of an Insurance Reserve as a first priority made sense, because it enabled FNEI to ensure that any damaged system components could be replaced and service to its customers maintained. It took FNEI approximately five years to build up its Insurance Reserve to an amount that FNEI considers now to be fully funded.

During the first eight years, however, contributions to the Insurance Reserve were made on a consistent basis (\$430,500 semi-annually). Now that the Insurance Reserve is fully funded, FNEI will start to build up its Capital Reserve and Operating Fund. As a matter of priority, FNEI intends to follow the same approach that it has in recent years; namely, appropriating funds to the Operating Fund during the first three quarters of every year, and transferring any funds in the Operating Fund to the Capital Reserve at year-end. Obviously, if funds in the Insurance Reserve need to be used to repair FNEI's system, FNEI will immediately replenish the Insurance Reserve out of whatever funds are available in the Operating Fund or Capital Reserve. If insufficient funds are available to replenish the Insurance Reserve, FNEI will then begin to allocate current earnings directly to the Insurance Reserve.

1 FNEI does not propose to set any “caps” (i.e., upper limits) for the Capital Reserve or Operating
2 Fund (as it does for the Insurance Reserve). Amounts required for capital projects and
3 unbudgeted operating requirements can be somewhat unpredictable (e.g., new customers, new
4 regulatory requirements, unanticipated revenue declines, etc.) and require a more dynamic
5 approach to management of funds set aside for these purposes. Because of that, FNEI will
6 exercise business judgment as to amounts to accumulate in and dispense from its Operating Fund
7 and Capital Reserve accounts. This is what FNEI has done for the first eight years of its
8 operations. In addition, a “cap” on these reserves implies that FNEI cannot use its funds in other
9 ways that are consistent with its corporate objectives until such time as these “caps” have been
10 reached. For-profit utilities pay dividends to their shareholders from time-to-time, all the while
11 ensuring that they are able to prudently meet their operating and capital requirements. FNEI’s
12 status as a non-profit corporation should not result in any different treatment.

13 The fact that FNEI is a non-profit corporation should have no regulatory implications vis-à-vis
14 the Board. FNEI was initially established as a non-profit corporation by the three First Nation
15 communities of Attawapiskat, Fort Albany and Kashechewan. As a non-profit, FNEI is not
16 precluded from earning revenues in excess of its costs (i.e., excess revenues akin to profits that
17 other utilities earn). However, unlike a for-profit corporation, FNEI cannot pay dividends to, or
18 disburse these excess funds to its members¹. Any excess funds must be used in accordance with

¹ In addition to being non-profit, FNEI was created as a non-share capital corporation, meaning that it does not have shareholders but rather “members”. The members of FNEI are Attawapiskat Power Corporation, Fort Albany Power Corporation and Kashechewan Power Corporation.

1 FNEI's Letters Patent, which require that FNEI's business be carried on for the purposes of
2 promoting the social, economic and civic welfare and development of the Attawapiskat, Fort
3 Albany and Kashechewan First Nations (see below).

4 In FNEI's submission, FNEI's status as a non-profit corporation is immaterial from a rate
5 regulation perspective. The only exception to this is that FNEI (as a non-profit corporation) does
6 not have to pay income tax (which means that it has no income tax expense to include in rates).
7 FNEI can, however, use excess revenues to meet its corporate objectives, which are set out in
8 FNEI's Letters Patent as follows:

9 "The objects of the Corporation are to promote the social, economic and
10 civic welfare and development of the Attawapiskat, Fort Albany and
11 Kashechewan First Nations by:

12 1. promoting, acquiring, developing and establishing works and facilities
13 of any manner or nature for the provision, acquisition, transmission,
14 distribution and supply of electricity and other utilities to the
15 communities of the Attawapiskat, Fort Albany and Kashechewan First
16 Nations and elsewhere;

17 2. constructing, operating, maintaining and managing such works and
18 facilities for the general benefit and for the purpose of providing
19 electrical power and other utilities to the communities of the
20 Attawapiskat, Fort Albany and Kashechewan First nations and
21 elsewhere; and,

22 3. through the accomplishment of the objects described in paragraphs 1
23 and 2, encouraging and promoting self-sufficiency, skills training,
24 employment and economic development opportunities, community
25 cooperation, measures to improve the protection of the natural
26 environment and such other measures socially beneficial for the
27 community as may accrue from the Corporation's objects and
28 undertakings, in the communities of the Attawapiskat, Fort Albany and
29 Kashechewan First Nations and elsewhere."

1 As long as FNEI continues to be organized as a non-profit, non-share capital corporation and
2 operates (including deploying any FNEI revenues in excess of its costs) in a manner that is
3 consistent with the above, FNEI will maintain its non-profit status. The question of whether
4 FNEI's activities are consistent with its corporate objectives (as set out in its Letters Patent) and
5 the maintenance of FNEI's status as non-profit are not issues to be determined by this Board.
6 FNEI's status as non-profit has only two implications for the Board's jurisdiction as it relates to
7 rate regulation: (a) FNEI does not pay income tax as long as it remains non-profit, so there is no
8 income tax expense included in FNEI's revenue requirement; and (b) the Board should ensure
9 that other activities carried on by FNEI do not put the utility in a compromised position that ends
10 up putting inappropriate costs on transmission ratepayers. With respect to (b), this means that
11 FNEI should not fund non-transmission activities in the three communities (even though they
12 may be consistent with FNEI's corporate objectives) if such funding means that FNEI is
13 compromising its ability to appropriately fund its capital and operating requirements. This is
14 exactly the same scrutiny the Board applies to for-profit utilities. For example, if an electricity
15 distribution utility were to pay a significant dividend to its municipal shareholder that
16 subsequently caused the utility to have to borrow funds at an unusually high rate for a major
17 capital project, then the prudence of that dividend would be a matter appropriate for the Board to
18 consider. In the circumstances, the Board would exercise its jurisdiction by determining whether
19 to deem a lower cost of debt for rate-setting purposes. For FNEI, the same type of consideration
20 should apply. FNEI is not precluded (by virtue of its non-profit status) from carrying on
21 activities that are not related to FNEI's insurance, capital or operating requirements, provided

1 these activities are consistent with its corporate objectives. In that respect, these activities are
2 akin to utility dividends with the key difference being that FNEI's funding of such activities are
3 specifically circumscribed by its Letters Patent. Thus, whereas other transmitters can pay a
4 dividend to their shareholder and their shareholder can do whatever it wishes with that money,
5 FNEI must ensure that any such "dividend-like" funding be spent in accordance with its
6 corporate objectives. The question of whether these "dividend-like" funds fall within the
7 corporate objectives of FNEI's Letters Patent is not a matter for the Board to determine, but
8 rather for FNEI's corporate and tax advisors. What is a matter for the Board is to ensure that the
9 quantum of such "dividend-like" funds spent by FNEI do not compromise its ability to meet its
10 capital or other operating requirements efficiently or with inappropriate cost consequences for
11 transmission ratepayers.

12 **Directive re: Internally Generated Funds versus ROE**

13 To some extent, the discussion above informs this Directive of the Board as well. The fact that
14 FNEI has "members" and not "shareholders" does not mean that there is no equity in the
15 company. FNEI's accountants describe the amounts in the Operating Fund, Insurance Reserve
16 and Capital Reserve as "Utility Equity" because FNEI operates as a normal commercial business
17 (whereas some non-profit corporations operate based on fundraising or government grants).
18 Further, FNEI uses the Uniform System of Accounts and complies with the same Filing
19 Requirements as other rate-regulated electricity transmitters. FNEI's status as non-profit, as
20 noted above, has virtually no regulatory implications as far as the Board's rate-setting

1 jurisdiction. Consequently, FNEI has filed this rate application on a traditional cost-of-service
2 methodology, with a proposed capital structure and the Board-approved return on equity.

3 For budgeting purposes, FNEI identifies the deficiency/sufficiency as “Internally Generated
4 Funds”.

5 Obviously, FNEI has not been before the Board for a very long time, and consequently, needed
6 expenditures on capital projects and unanticipated operating matters have been made.

7 **Directive re: TIER Mechanism**

8 As noted above, FNEI is applying based on a traditional cost-of-service methodology, using the
9 Board-approved return on equity. However, for illustrative purposes, the Times Interest Earned
10 Ratio (“TIER”) calculation is set out below.

11 There is no uniform TIER calculation methodology. Typically, it is calculated in one of two
12 ways: (a) taking net income plus interest on debt and dividing it by interest on debt; or (b) taking
13 net income and dividing it by interest on debt. The resulting ratios shows the extent of earnings
14 available to meet interest payments, which can be indicative of the ability of an entity to service
15 the interest on its debt. However, the usefulness of TIER is limited as it does not reflect a firm’s
16 ability to service its debt principal repayment requirements. Despite this shortcoming, in RP-
17 2001-0036 the Board noted that the permitted TIER range used in jurisdictions in the Unites
18 States tended to be 2.0 to 2.8 (utilizing the second method of calculating TIER above – i.e., using
19 the method at (b)).

FNEI's calculated TIER in its initial rate proceeding (RP-2001-0036) was 2.4 (see table below). If FNEI did not file a rate application for 2010, FNEI's TIER for 2010 would be projected to be 0.6 (which is well below the acceptable TIER range used in the United States). FNEI's proposed revenue requirement for 2010 of \$6,466,100 would result in a TIER of 2.5 (see table below), which is within the acceptable range.

	RP-2001-0036	2009	2010 No Application	2010 Applied-For
Gross Income	5,718.00	5,056.00	5,078.00	6,466.10
Net Income (NI)	2,178.90	1,485.80	407.50	1,892.60
Interest on Debt (Int.)	922.20	645.90	731.10	762.30
Net Income plus Interest on Debt	3,101.10	2,131.70	1,138.60	2,654.90
Times Interest Earned Ratio (NI/ Int.)	2.4	2.3	0.6	2.5
Times Interest Earned Ratio (NI+Int./ Int.)	3.4	3.3	1.6	3.5

The basis for the Board's endorsement of the TIER ratemaking mechanism in RP-2001-0036 would appear to be a number of cases that FNEI filed in response to an interrogatory from Board Staff (specifically, Board Staff Interrogatory #1, filed on January 11, 2002). Since then, FNEI has had the opportunity to carry out further research on the TIER ratemaking mechanism (which itself, appears to have evolved over the past several years). The TIER ratemaking mechanism, to FNEI's knowledge, remains almost wholly designed for rural electric cooperatives and local publicly owned systems (as contrasted with investor-owned utilities) in the United States that are not only non-profit, but are also: (a) for the most part, not regulated by FERC or State regulatory commissions; (b) obtain debt financing from the US federal government (or have their financing guaranteed by the US federal government); and (c) are normally more heavily debt-financed than

1 their investor-owned counterparts. In the case of rural electric cooperatives, the federal
2 financing comes either directly from (or is guaranteed by) the Rural Utility Service (“RUS”, an
3 agency of the US Department of Agriculture). The RUS replaced the Rural Electrification
4 Administration (“REA”), which was created by the federal *Rural Electrification Act of 1936* in
5 the United States to make low-interest loans to electric cooperatives aimed at expanding electric
6 service in rural America.² The RUS imposes minimum TIER operating ratios on rural electric
7 cooperatives that want to access RUS loans.

8 There are few similarities between FNEI and these rural electric cooperatives, other than the fact
9 that both are non-profit. FNEI is regulated by the OEB. FNEI’s debt financing comes
10 predominantly from private sector lenders. FNEI is not more heavily debt-financed than other
11 utilities. Consequently, FNEI’s view is that TIER is not a suitable rate-setting mechanism for
12 FNEI.

² At the time, only 10% of rural America had electric service. Today, primarily due to the establishment of rural electric cooperatives, approximately 99% of American farmers have electric power.

Exhibit 1, Tab 1, Schedule 14

Witnesses and Witness CVs

1 **WITNESSES AND WITNESS CVs**

2 The following witnesses will appear before the Board:

3 • Joe Gaboury, Chief Executive Officer (CEO), Five Nations Energy Inc.

4 • Rod Reimer, Reimer Consulting Services.

5 Others may be added closer to the oral hearing date.

Joe Gaboury, BA, CGA, MBA

Summary of Qualifications

- Extensive experience within the electricity industry
- Professional Accountant with a clear understanding of financial governance and transparency rules
- Knowledgeable and sensitive to the needs of Canadians in respect to our energy policies and future direction
- Strategic advisory skills and the ability to positively influence peers in a clear and concise manner
- Presentation experience and refined communication skills
- Inherent ability to lead and motivate a team of people to accomplish team goals, effectively, and strategically
- Diplomatic and understanding of stakeholder concerns
- Ability to foster teamwork to accomplish organizational goals
- Highly motivated leader and proven financial manager
- Strategic negotiator
- Experience with interfacing with senior government officials
- Status Indian and Member of the Matachewan First Nation

Education

- BA Economics, Laurentian University
- Certified General Accountant (CGA)
- MBA, Edinburgh Business School

Interest, & Activities

- Executive Board Member of the National Aboriginal Trust Officers Association
- Past Treasurer and Member of the Board – Native Canadian Centre of Toronto
- Active in golf, fishing, hockey, swimming, and running

Professional Work Experience

Jan 2009 to present

- Chief Executive Officer (CEO), Five Nations Energy Inc.
- Reporting to a Board of Directors responsibilities include:
 - Overall stewardship of the company
 - Highest priority is ensuring employee and public safety
 - Responsible for regulatory requirements of the corporation
 - Responsible for environmental compliance
 - Enhancing existing system reliability to improve customer service
 - Communicate with existing owners and their respective communities, which include Attawapiskat First Nation, Kashechewan First Nation, and Fort Albany First Nation.

Jan 2006 to Dec 2008

- Chief Executive Officer (CEO), Attawapiskat Resources Inc
- Responsibilities included.
 - Negotiation of Joint Ventures with chosen partners.
 - Creating economic benefits for the Attawapiskat First Nation and surrounding communities.

- Bringing non monetary benefits to the First Nation.
- Assisting with the creation of employment and training of First Nation community members.
- Development of a sustainable business model for the First Nation(s).
- Creating wealth for the First Nation

April 2008 to Sept 2008

Co-Manager, Attawapiskat First Nation

- Dual role, along with CEO position within Attawapiskat
- Duties included implementing and improving existing managed systems within the First Nation to ensure internal controls are in place, creation of a budget and reporting system for departments with the First Nation, and to ensure cost controls are in place within the community.
- Creation of a Remediation Management Plan (RMP) to reduce and control existing deficit and debt within the First Nation
- Interface with Indian and Northern Affairs Canada (INAC) to ensure program funding is in place and to ensure appropriate reporting is completed as required
- Provide guidance and support for overall management of the First Nation

Feb 2002 to Jan 2006

Manager, Commodity Purchasing, Ontario Power Generation (OPG)

- Responsibilities included managing OPG's suppliers.
- Building collaborative agreements with suppliers.
- Material standardization and cost reductions.
- Leader of a continuous process improvement team.
- Supervisor of 6 professional staff and 3 union staff.

April 1991 to Jan 2002

Progressive positions within Ontario Power Generation/Ontario Hydro

- Logistics Specialist, Project Dept. Supply Chain 2001-2002
- Business Manager, Northeast Plant Group 1999 – 2001
- Supervisor Finance/Supply Atikokan Fossil GS, Ontario Hydro, 1998-99
- Budget and Cost Analyst, Bruce Nuclear, Ontario Hydro 1996-98
- Regulatory Affairs Analyst, Ontario Hydro 1995-96
- Financial Analyst, Ontario Hydro Retail 1993-95
- Ontario Hydro Native Awareness Week Coordinator 1993
- Finance Trainee, Ontario Hydro Retail 1991-93

Curriculum Vitae of Rod Reimer

PO Box 210, 116 Fourth Ave., Schumacher, ON P0N-1G0

Ph: 705-360-1692 Fax: 705-360-1698

Experience:

June 2007 to current – Advisor

Reimer Consulting Services, Timmins, ON

As the manager of this consulting firm I am responsible for providing direction to the company as well as providing advisory services to numerous clients.

The advisory services provided include financial management, policy development, business development, and communication services. Clients include Five Nations Energy Inc., Attawapiskat Power Corporation, Kashechewan Power Corporation, Island Falls Forestry Services, Coral Rapids Power Limited Partnership, Cree West Limited Partnership as well as numerous others.

July 1998 to May 2007 – Advisor

McLeod Wood Associates, Timmins, ON

As a member of this dynamic consulting firm I was responsible to provide advisory services for various First Nation businesses and entities primarily in the energy, technical services, and First Nation governance areas. The advisory services provided include financial management, policy development, business development, and communication services. Clients included Five Nations Energy Inc., Attawapiskat Power Corporation, Kashechewan Power Corporation, Fort Albany Power Corporation, Peetabeck Health Services, Wabun Tribal Council as well as numerous others. Major accomplishments include playing a key role in the project team that developed and continues to operate Omushkego Ishkotayo, the transmission line that connects the communities of Fort Albany, Kashechewan, and Attawapiskat to the North American electricity grid and which now provides electricity to the De Beers Victor Diamond Mine. I was also key in establishing the three local distribution companies in the connected communities.

March 1996 to June 1998 - Associate Executive Director

Mushkegowuk Council, Moose Factory, ON

As Associate Executive Director I was responsible for all areas of the administration and finance of the Mushkegowuk Council, a tribal council made up of seven First Nations. I worked closely with the Executive Director, as well as the Grand Chief, and other members of the Senior Management Team as we sought to fulfill the mandate given to us by our member First Nations.

I was appointed co-manager for the Kashechewan First Nation effective April 1st, 1997. As co-manager I co-managed all affairs of the Kashechewan First Nation together with Tom Reuben, KFN Executive Director. Working together, in conjunction with the Chief and Council and the administration staff, we ensured the continued solvency of the Kashechewan First Nation through instituting proper financial controls and program management. I was also primarily responsible for the development of a Five Year Remedial Management plan that would reduce the deficit to zero. During this time I continued to fulfill my responsibilities as Associate Executive Director at the tribal council.

Curriculum Vitae of Rod Reimer

PO Box 210, 116 Fourth Ave., Schumacher, ON P0N-1G0

Ph: 705-360-1692 Fax: 705-360-1698

January 1995 to March 1996 - Finance Officer

Attawapiskat First Nation, Attawapiskat, ON

As Finance Officer I was responsible for all aspects of the finance department including data entry, production of financial statements, purchasing control, budgeting, as well as supervising several other staff. I also filled in as acting Executive Director when requested.

Education:

1995 Certified General Accountants-Completed Courses in Level II

1988-1989 Steinbach Bible College, Steinbach, Manitoba

Completed one year of General Arts and Bible courses including speech and public presentations.

1985 Steinbach Christian High School, Steinbach, Manitoba

Graduated from Grade 12

Exhibit 1, Tab 1, Schedule 15

Personnel Policies and Procedures

Financial Policies and Procedures

1 **PERSONNEL POLICIES AND PROCEDURES,**

2 **FINANCIAL POLICIES AND PROCEDURES**

3 1. **Personnel Policies and Procedures**

4 FNEI's current internal "Personnel Policies and Procedures" is presented in Appendix
5 "A".

6 2. **Financial Policies and Procedures**

7 FNEI's current internal "Financial Policies and Procedures" is presented in Appendix
8 "B".

APPENDIX “A”

PERSONNEL POLICIES AND PROCEDURES



Personnel Policies and Procedures for Five Nations Energy Inc.

Approved: December 1997
Revised: May 2000, May 2002, December 2002, January 2006 and November 2007
Approved November, 2007
Revised May, 2009, June & July, September, 2009

Personnel Policies and Procedures for Five Nations Energy Inc.

1.0 Introduction

- 1.1 This policy manual is intended to provide for the effective and efficient operations of Five Nations Energy Inc., and to provide a high level of service from trained and competent employees. This policy manual is also intended to encourage, promote and assist in the development of leadership skills in the First Nation communities.
- 1.2 This policy manual contains general conditions of employment with Five Nations Energy Inc. New employees will be provided with a copy of the human resources policies at the beginning of their employment. It is the responsibility of the employee to review the policies and to clarify any questions that he/she might have regarding the policies with the Chief Executive Officer.
- 1.3 These policies are to be reviewed and updated on an annual basis. Recommendations for amendment of the policies should be made by the Finance and Human Resources Committee and approved by the Board of Directors.
- 1.4 When revisions to these policies have been made, Employees will be given a revised copy of the policies and procedures for their information.

2.0 Purpose and Scope of Policy

2.1 Purpose of Policy:

1. To maintain a harmonious and mutually beneficial working relationship between Five Nations Energy Inc. and its employees.
2. To set the terms and conditions of employment relating to the remuneration, hours of work, employee benefits and general working conditions affecting employees covered by these policies.
3. To ensure that all reasonable measures are provided for the safety and occupational health of all employees.
4. For the purpose of these policies, the Chief Executive Officer shall ensure that these policies are applied.
5. For the purpose of ensuring that the Chief Executive Officer, adheres to these policies, the Corporation's President shall represent the Employer.

2.2 Interpretations and Definitions

For the purpose of these policies:

1. "Employer" means Five Nations Energy Inc.
2. "Employee" means the person(s) who are employed by Five Nations Energy Inc.
3. "Compensatory Leave" means leave with pay in lieu of cash payments for overtime, such leave with pay will be equivalent in value to cash payment that would otherwise have been made.
4. "Daily rate of pay" means an employee's weekly rate of pay divided by five.
5. "Lay off" means a temporary or permanent discontinuance of employment due to the lack of work or the discontinuance of a function or to inadequate finances to fund the position.
6. "Leave" means authorized absence from duty by an employee during his/her normal hours of work.
7. "Weekly rate of pay" means an employee's annual rate of pay divided by 52.
8. "Holiday" means the 24-hour period commencing at 12:01 am of a day designated as a paid holiday by these policies.
9. "Public holiday pay" is an amount equal to an employee's regular wages earned in the four work weeks prior to the public holiday plus any vacation pay payable during that period, divided by 20.

3.0 Categorization of Employees

3.1 Full Time Employees

- 3.1.1 Full time employees are defined as those employees hired on an indefinite basis.
- 3.1.2 Full time employees are subject to all the terms and conditions as outlined in these policies with the exception of those sections concerning term or casual employees.

3.2 Term Employees

- 3.2.1 Term employees are defined as those employees hired for a specific period or term.
- 3.2.2 A term employee hired for a period in excess of three months shall be subject to lay off with a minimum of two weeks notice, and a maximum of four weeks notice.
- 3.2.3 At its discretion, the Employer may grant sick leave credits to be earned at a rate of one half ($\frac{1}{2}$) day per creditable month worked. Subsequently, the term employee may be granted sick leave with pay when he/she is unable to perform his/her duties because of illness or injury provided that a medical certificate is presented when the sick leave exceeds three consecutive days, and he/she has the necessary earned sick leave credits.

3.3 Casual Employees

- 3.3.1 Casual employees are defined as those employees hired on a day-to-day basis as required to assist with work overload.
- 3.3.2 Casual employees are subject to lay off with one day's notice.

4.0 Records

4.1 Personnel Records

- 4.1.1 The Employer shall maintain adequate records of every employee. These shall, at a minimum consist of an individual file for each employee which contains their initial application for employment and/or personal resume, evaluations, documentation of any disciplinary action, leave credits and usage, sick leave entitlement, vacation entitlement, pay entitlement, the number of hours worked by the employee each day of the week, documents or certificates relating to pregnancy or parental leave, documents verifying training prerequisites, correspondence and any other document as required by law.
- 4.1.2 Unless otherwise required by law, only the employee, the Chief Executive Officer, the Finance and Human Resources Committee, or those authorized by the Board of Directors shall have access to an employee's personnel file.

5.0 Terms and Conditions of Employment:

5.1 Pay

- 5.1.1 An employee is entitled to be paid for services rendered at the rate of pay specified by the Employer for the classification of the position to which he/she is appointed.
- 5.1.2 In addition, a fulltime employee who is categorized as Senior Management shall be entitled to a language allowance for his/her ability to communicate in the Cree language, as per the following categories:

Able to speak Cree	\$1000.00 per annum
Able to speak, read and write Cree	\$2000.00 per annum

Ability shall mean practical use as per organizational requirements to be determined by a committee competent in the Cree language.

5.2 Hours of Work

- 5.2.1 The normal work week shall be 37½ hours from Monday to Friday inclusive, and the normal work day shall be seven and one half (7½) consecutive hours, exclusive of a lunch period.
- 5.2.2 Normal hours of work are 8:30 am to 12:00 noon, 1:00 pm to 5:00 pm. Permission of the employee's supervisor is required to depart from these hours. Such requests shall not be unreasonably denied and are subject to the Employer's operational requirements.
- 5.2.3 Employees shall register their attendance in a form or forms to be determined by the Employer.
- 5.2.4 The Employer will provide two rest periods of 15 minutes each, per full working day.
- 5.2.5 If the employee will not be at work or if the employee is delayed for some reason, he/she is required to notify the Employer as soon as practical, in advance if possible.

5.3 Overtime

- 5.3.1 Subject to the operational requirements of the organization, the Employer shall make every reasonable effort to avoid excessive overtime.
- 5.3.2 An employee who works in excess of 44 hours per week is entitled to compensation at time and a half (1½) his/her regular hourly rate for all overtime hours worked.
- 5.3.3 No employee, shall work more than 48 hours (including overtime) in any week without the permission of the Chief Executive Officer or President. No employee shall work more than

16 hours in any day, and if an employee works for 16 hours, he or she shall be required to take an 8 hour rest period immediately following the 16 hour work period before returning to work.

- 5.3.4 All overtime work must be authorized in advance by the employee's Supervisor.
- 5.3.5 Employees shall record the starting and finishing times regarding overtime worked in a form determined by the Employer.
- 5.3.6 Subject to operational needs, and at the discretion of the Chief Executive Officer, overtime compensation may be paid in equivalent leave with pay.
- 5.3.7 All employees are expected to take all their compensatory leave during the fiscal year it is earned
- 5.3.8 Overtime while on business travel shall be restricted to actual work-related travel time.

5.4 Responsibility Leave

- 5.4.1 In lieu of overtime worked throughout the fiscal year, the President will grant the Chief Executive Officer and the Operations Manager a responsibility leave with pay of up to 10 days. .
- 5.4.3 All responsibility leave is expected to be taken within the fiscal year. At the discretion of the Board of Directors, a maximum of five days may be carried over to the next fiscal year.

5.5 General Provisions regarding Leave

- 5.5.1 Prior to taking leave, the employee must complete a leave request form and submit it to the Chief Executive Officer. He or she will approve the leave, then forward notice to the Mushkegowuk Finance Office which will keep a record of all leave taken by employees. An employee is entitled once every six months to be informed of the balance of his/her vacation and sick leave credits through the Mushkegowuk Council Finance office. In the case of the Chief Executive Officer, his or her vacation leave will be approved in advance by the President.
- 5.5.2 An employee is not entitled to pay during the periods that he/she is under suspension or absent without leave.

5.6 Vacation Leave with Pay

- 5.6.1 The vacation year shall be from January 1st to December 31st of the fiscal year, inclusive.

5.6.2 Accumulation of Vacation Leave Credits

All full time employees earn vacation leave credits at the following rates:

Year 1 to 4

0.83 days per month for a total of 10 working days (2 weeks) per year.

Year 5 to 9

1.67 days per month for a total of 20 working days (4 weeks) per year.

Year 10 and up

2.12 days per month for a total of 25 working days (5 weeks) per year.

- 5.6.3 The maximum time earned as annual vacation/leave will be set at five weeks.
- 5.6.4 Employees are expected to take all of their vacation leave credit during the vacation year in which it is earned. Five days may be saved from the previous year's entitlement. Additional days may be saved only under exceptional circumstances, and only with the prior written approval of the Chief Executive Officer. In the case of the Chief Executive Officer, additional days may only be saved under exceptional circumstances, and only with the prior consent of the President.
- 5.6.5 Payment may not be made in lieu of vacation, except upon termination.
- 5.6.6 Unless approved by the Board of Directors, probationary employees are not eligible for paid vacation leave. Employees on probation will accumulate vacation leave credits at the appropriate rate per month but are not eligible for paid time off until they have completed their probation period.
- 5.6.7 An employee is entitled to vacation leave with pay to the extent of his/her earned credits, but a new employee who has completed six months of continuous employment may receive an advance of credits equivalent to the anticipated credits for the vacation year.
- 5.6.8 All employees who resign or are dismissed when they have vacation leave credits owing to them will be paid for this time. This does not apply to term employees.
- 5.6.9 When an employee dies, his/her estate will be paid an amount calculated as the number of days of earned but unused vacation leave credit multiplied by the daily rate of pay as specified on the date of his/her appointment.
- 5.6.10 Subject to operational requirements, the employee shall schedule his/her vacation in a

manner that is acceptable to the Employer. Vacation leave is determined within the corporation provided that adequate coverage is always available. Conflicts in vacation schedules and coverage between workers shall be resolved on the basis of seniority.

5.6.11 The Employer shall give an employee as much notice as is practicable and reasonable of approval, disapproval, or cancellation of a request for vacation leave. In the case of non-approval, alteration, or cancellation of such leave, the Employer shall give a written reason. Where late notices cause costs to the employee, compensation for out of pocket expenses shall be made by the Employer.

5.6.12 Where, in any respect of any period of vacation leave, an employee is granted:

- Bereavement leave;
- Family medical leave;
- Emergency leave; or
- Sick leave with production of a medical certificate;

the period of vacation leave that was displaced shall either be added to the vacation period if requested by the employee and approved by the Employer, or reinstated for use at a later date.

5.7 Designated Paid Holidays

5.7.1 The following days shall be designated paid holidays for all employees:

- New Years Day - January 1;
- Family Day;
- Good Friday;
- Easter Monday;
- Victoria Day;
- National Aboriginal Solidarity Day – June 21;
- Canada Day - July 1;
- Civic Holiday;
- Labour Day;
- Thanksgiving Day;
- Christmas Day - December 25; and
- Boxing Day - December 26.

5.7.2 If a designated paid holiday falls on a weekend, the following Monday shall be observed as a holiday.

5.7.3 The above paid holidays apply where an employee is on approved leave (with or without pay) for all or part of a day, on both the working day immediately preceding or the working day following the designated paid holiday.

- 5.7.4 An employee who works on a designated paid holiday is entitled to either be paid their regular rate for all hours worked on the public holiday plus receive a substitute holiday with public holiday pay, or be paid public holiday pay plus premium pay of one and a half (1½) times their regular rate for all hours worked on the public holiday.
- 5.7.5 For any designated paid holiday that falls on a non-working or vacation day, employees can either take a substitute work day off with public holiday pay or, if they agree in writing, they can received public holiday pay for the public holiday with no substitute day off.
- 5.7.6 The above paid holidays will not apply where an employee is on unauthorized leave for all or any part of a day on both the working day immediately preceding and the working day following the designated holiday.

5.8 Other Leave with or without Pay

5.8.1 Bereavement Leave with Pay

- 5.8.1.1 For the purpose of this section, immediate family is defined as spouse (including common law spouse resident with the employee), children (including children of a legal or common law spouse), parents (including step parents or foster parents), grandparents (including grandparents of legal or common law spouse), grandchildren, brothers, sisters, aunts, uncles, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, nieces, nephews or any relative residing in the employee's household or with whom the employee permanently resides.
- 5.8.1.2 When a member of an employee's immediate family dies, the employee shall be entitled to bereavement leave with pay for a period of up to four days.
- 5.8.1.3 It is recognized that the circumstances which call for leave in respect of bereavement are based upon individual circumstances. On request, the Chief Executive Officer, after considering the particular circumstances involved, may grant leave with pay for a period greater than that provided in this section.
- 5.8.1.4 In special circumstances, and at the request of the employee, bereavement leave with pay will also be extended for a period of up to four days to attend the funeral of a close family friend (including the funeral of a boyfriend/girlfriend of the employee) or a respected elder.

5.8.2 Court Leave with Pay

- 5.8.2.1 The Employer shall grant leave with pay to an employee for the period of time he/she is required:
- To be available for jury selection;
 - To serve on a jury;
 - By subpoena or summons to attend as a witness in any proceeding held;

- In or under the authority of a court of justice or before a grand jury;
- Before a court, judge, justice, magistrate or coroner;
- Before the Senate, or House of Commons of Canada or a committee of the duties of his/her person;
- Before a Legislative Council, Legislative Assembly or House of Assembly, or any committee thereof that is authorized by law to compel the attendance of witnesses before it; or
- Before an arbitrator or umpire or a person or body of persons authorized by law to make an inquiry and to compel the attendance of witnesses before it.

5.8.2.2 Any monies paid to the employee in connection with the above, will be deducted from the employee's paid court leave, or the employee can choose to take leave without pay.

5.8.3 Educational and Professional Development Leave with Pay

5.8.3.1 At the discretion of the Board of Directors leave with pay may be granted for professional development purposes, subject to operational requirements. For educational leave requests, a written business case, to be reviewed on a case by case basis, will have to be submitted to the Chief Executive Officer, who will review and bring forth to the Board of Directors for final approval.

5.8.4 Pregnancy and Parental Leave without Pay

5.8.4.1 Pregnancy leave of at least 17 weeks shall be granted to a pregnant employee who has been an employee of Five Nations Energy Inc. for a period of at least 13 weeks immediately preceding the estimated date of her delivery.

5.8.4.2 If an employee took pregnancy leave, parental leave without pay of at least 35 weeks shall be granted to an employee who has been an employee of Five Nations Energy Inc. for a period of at least 13 weeks and who is the parent of a child following the birth of the child. If the employee did not take pregnancy leave, parental leave without pay of at least 37 weeks shall be granted to an employee who has been an employee of Five Nations Energy Inc. for a period of at least 13 weeks and who is the parent of a child following the birth of the child or the coming of the child into the custody, care and control of the parent for the first time.

5.8.4.3 Where pregnancy leave without pay is requested, an employee is required to submit a medical certificate certifying her pregnancy and stating the expected birth date.

5.8.4.4 An employee who is entitled to pregnancy leave under the Ontario *Employment Standards Act, 2000* cannot have their employment terminated or be laid off by Five Nations Energy Inc.

5.8.4.5 An employee must give her supervisor at least two weeks notice in writing of the day upon which she intends to commence her pregnancy leave.

5.8.4.6Pregnancy leave may commence no earlier than 17 weeks before the estimated date of delivery.

5.8.4.7A request of extension of pregnancy leave shall be granted to an employee covered by Part XIV of the Ontario *Employment Standards Act, 2000* provided the total pregnancy leave shall not be in excess of 10 months.

5.8.4.8Should the requests for extension involve more than 10 months of total pregnancy leave, such a request may be granted at the discretion of the Chief Executive Officer .

5.8.4.9An employee returning from pregnancy leave of absence under Part XIV shall be reinstated to her former position immediately prior to such leave if the position still exists, or to a comparable position if it does not, and shall be assigned her former classification and be paid at the step in salary range that she had attained when the leave of absence was granted. The returning employee shall not lose seniority or benefits that she had accrued prior to commencement of her leave. An employee returning from parental leave shall also not lose seniority or benefits that he/she had accrued prior to commencement of parental leave.

5.8.5 Adoption Leave without Pay

5.8.5.1An Employee may request adoption leave without pay for a period of up to 37 weeks. This leave is to begin following the coming of the child into the custody, care and control of the parent for the first time. Adoption leave may not begin more than 52 weeks after the child comes into the custody, care and control of the parent for the first time.

5.8.5.2An Employee who intends to request adoption leave shall submit written proof of adoption.

5.8.5.3An Employee who intends to request adoption leave shall give the Employer at least two weeks notice in writing of his/her intention to take adoption leave.

5.8.6 Traditional/Cultural Leave without Pay

5.8.6.1After three months of continuous employment, the Employer may approve leave without pay for the purpose of pursuing traditional/cultural related activities. The taking of traditional/cultural leave must be authorized by the Chief Executive Officer. In the case of the Chief Executive Officer, the taking of traditional/cultural leave must be authorized by the President.

5.8.7 Family Medical Leave

5.8.7.1An employee can take family medical leave up to eight weeks to provide care and support to a specified family member who has a serious medical condition with a significant risk of death occurring within a period of 26 weeks.

- 5.8.7.2 This medical condition and risk of death must be confirmed in a written certificate issued by a qualified health practitioner.
- 5.8.7.3 Care and support include providing psychological or emotional support, arranging for care by a third party provider or directly providing or participating in the care of the family member.
- 5.8.7.4 The specified family members for whom a family medical leave may be taken include the employees' spouse (including a same sex spouse), a parent, step parent or foster parent of the employee, a child, step child or foster child of the employee or the employee's spouse.
- 5.8.7.5 The eight weeks of a family medical leave do not have to be taken consecutively, but must be taken in periods of entire weeks within a specified 26 week period.

6.0 Sick Leave with Pay

6.1 Credits

An employee shall earn sick leave credits at the rate of 0.83 days per month for each calendar month for which he/she receives pay for at least 10 days for a total of 10 working days (2 weeks) per year.

6.2 Granting a Sick Leave

- 6.2.1 A full time employee shall be granted sick leave with pay when he/she is unable to perform his/her duties due to illness or injury provided that he/she has the necessary sick leave credits.
- 6.2.2 All employees must notify the Chief Executive Officer or the Operations Manager by phone or other means between 8:00 am and 9:30 am that he/she will be unable to perform his/her duties due to illness or injury.
- 6.2.3 When the employee returns to work, they must complete a leave request form and submit it to the Mushkegowuk Finance Office which will keep a record of sick leave taken by employees.
- 6.2.4 After three consecutive days' absence due to sickness or injury, an employee shall be required to bring a doctor's certificate to the Employer in order to be eligible for sick leave
- 6.2.5 When an employee has insufficient or no credits to cover the granting of sick leave with pay, sick leave with pay may, at the discretion of the Chief Executive Officer be granted to an employee for a period of up to 10 days advance subject to the deduction of such advanced credits from any sick leave credits subsequently earned.
- 6.2.5 If an employee becomes ill during a period of compensatory or vacation leave and such illness is supported by a medical certificate, the employee shall be granted sick leave and his/her vacation leave credits shall be restored to the extent of any concurrent sick leave granted.

7.0 Benefits Plan

7.1 Eligibility

- 7.1.1 Employees who work a minimum of 20 hours a week are covered with the Benefit Plan on their first date of employment. Participation in the FNEI Benefit Plan is mandatory and a condition of employment for all employees who work a minimum of 20 hours a week.

7.2 Coverage

- 7.2.1 The FNEI Benefit Plan covers the following:

- Employee Basic Life Insurance
- Accidental Death & Dismemberment Insurance
- Dependent Life Insurance
- Short Term Disability Insurance
- Long Term Disability Insurance
- Insurance
- Extended Health Care Benefit
- Dental Care Benefit

7.3 Enrollment

- 7.3.1 The employee must enroll in the Plan by completing an application for membership; they must enroll in the Plan immediately. Once the employee becomes insured, he or she will receive Member Booklet which describes the Benefit Plan in detail.

7.4 Cost

- 7.4.1 The cost of the Benefit Plan is paid for entirely by FNEI.

7.5 Termination

- 7.5.1 The employee's coverage under this Plan will terminate:

- If FNEI terminates the Plan
- If the employee ceases to work a minimum of 20 hours per week
- If the employee is terminated from FNEI.

8.0 Pension Plan

8.1 Eligibility

- 8.1.1 Employees who work a minimum of 20 hours a week must join the Plan on the first day of the month following the completion of three months of continuous employment with FNEI.

8.2 Enrollment

- 8.2.1 The employee must enroll in the Plan by completing an application for membership. Once the employee becomes enrolled, he or she will receive Member Booklet which describes the plan in detail.

8.3 Contributions

- 8.3.1 Employees are required to contribute an amount equal to five, six, seven, eight or nine per cent of their earnings. FNEI will contribute an amount equal to the employee's contribution.

8.4 Termination

- 8.4.1 FNEI expects to continue the Plan indefinitely; however, reserves the right to amend or terminate the Plan at any time. If the Plan is terminated, the employee will be entitled to the Accumulated Value of his or her contributions and the employer contributions made on the employee's behalf as permitted under the Ontario Legislation.

9.0 Confidentiality and Conflict of Interest

9.1 Confidentiality Provisions

- 9.1.1 All staff must appreciate the confidential nature of all matters relating to the operation of Five Nations Energy Inc.
- 9.1.2 All staff will exercise good judgement and discretion in the disclosure of political and policy positions relating to Five Nations Energy Inc. These include, but are not confined to the following: internal letters, memos, staff evaluations and personnel files, information files, meeting records, statistics and reports. Conversations relating to the above noted categories must be similarly classed as confidential.
- 9.1.3 Except as otherwise required by law, internal memos, letters, meeting records and reports must not be disclosed outside of the organization. Personnel files and staff evaluations are absolutely confidential, except as otherwise required by law. Only with the express permission of the individual involved may this information be released to any other person beyond those directly responsible for supervision of this individual.
- 9.1.4 Violation of confidentiality is a serious breach of conduct warranting disciplinary action, up to and including dismissal.

9.2 Outside Employment

- 9.2.1 An employee may hold down another job providing:
 - The employee's work performance with Five Nations Energy Inc. is not jeopardized in any way;
 - There is no conflict of interest; and
 - The job does not interfere with the employees' working hours at Five Nations Energy Inc.
- 9.2.2 The employee shall advise the Employer of outside employment opportunities before accepting such position, and the Employer shall, within a reasonable period of time, advise the employee whether or not a conflict of interest will exist, and whether it will interfere with the normal course of duties at Five Nations Energy Inc.
- 9.2.3 If a conflict of interest is deemed to be in effect, disciplinary action will be taken in accordance with this personnel policy.

10.0 Staff Conduct and Dress Code

10.1 Appearance

It is expected that employees will dress in a manner appropriate to their duties, and to situations as they arise, keeping in mind that they represent Five Nations Energy Inc.

10.2 Conduct

10.2.1 Employees are expected to conduct themselves in a courteous and business-like manner when dealing with clients, associates and the public, when representing Five Nations Energy Inc.

11.0 Sexual Harassment

- 11.1 Every Five Nations Energy Inc. employee is entitled to employment free of sexual harassment.
- 11.2 Sexual harassment includes, but is not limited to, any conduct, comment, gesture of contact of a sexual nature that is likely to cause offense, or humiliation to any employee, or that might, on reasonable grounds be perceived by that employee as placing a condition of sexual nature on employment or on any opportunity for training or promotion.
- 11.3 Examples of sexual harassment include, but are not be limited to:
- Unnecessary touching or patting;
 - Suggestive remarks or other verbal abuse;
 - Suggestive or offensive correspondence;
 - Leering at an individual's body;
 - Compromising invitations;
 - Demands for sexual favours; or
 - Physical assault.
- 11.4 Incidents of sexual harassment should be reported to the Chief Executive Officer, or the President of the Corporation. All complaints will be investigated and held in strictest confidence.

12.0 Termination of Employment

- 12.1 Should an employee wish to terminate his/her employment with Five Nations Energy Inc., a minimum of two weeks written notice to the Employer shall be required.
- 12.2 Should the Employer wish to terminate the employment of an employee for any reason, and the employee has worked for the Employer continuously for at least three months, the employee is entitled, except where termination is for just cause, to two weeks notice of termination per year of continuous employment, to a maximum of eight weeks notice.
- 12.3 No notice of termination is required where the termination is for just cause.
- 12.4 In addition to the notice of termination referred to in Article 11.2, an employee who has been employed continuously for 12 consecutive months by Five Nations Energy Inc., is entitled to receive severance benefits to be calculated at one week's pay at the employee's regular rate of pay for his/her regular hours of work for each completed year of employment with a minimum benefit of five days wages.
- 12.5 Article 12.4 does not apply in the event an employee is dismissed for just cause.

13.0 *Disciplining of Employees*

13.1 Discipline is used to demonstrate the importance of appropriate behavior and work habits and to encourage a staff member to improve. An employee who fails to observe the rules and regulations as set out by Five Nations Energy Inc. may be subject to disciplinary action.

13.2 There are four levels of discipline:

1. Verbal reprimand;
2. Written letter of reprimand;
3. Suspension; and
4. Dismissal.

13.3 Verbal Reprimand

13.3.1 A verbal reprimand should identify:

- The nature of the problem;
- Why it is a problem;
- What is expected;
- How the employee should improve; and
- By which time the employee's actions should improve.

13.3.2 A record of the discussion should be kept in the employee's personnel file for a period of up to two years for future reference. Documentation should include the date of the discussion and be signed by the employee's immediate supervisor.

13.4 Written Letter of Reprimand

13.4.1 A letter of reprimand warning may follow a verbal reprimand if improvement is insufficient.

13.4.2 An employee will be notified in writing of the:

- Unacceptable performance;
- Why it is unacceptable;
- What is expected;
- When it is expected; and
- Possible suspension or termination.

13.4.3 A copy of the written letter of reprimand should be kept in the employee's personnel file for future reference. The letter of reprimand should be signed by the Chief Executive Officer, or the President.

13.5 Suspension

- 13.5.1 A period of suspension may follow a written letter of reprimand if improvement is insufficient , or when accountability, conduct, work habits or performance are unacceptable to FNEI. An employee may be placed on suspension without pay not to exceed a period of 30 days.
- 13.5.2 All written correspondence regarding any disciplinary action by the Employer and employee will be placed in the employee's personnel file.
- 13.5.3 Following the suspension, a written report stating the results of the suspension and/or any recommendations of the suspension will be placed into the employee's personnel file. The written report will be signed by the Chief Executive Officer or the President.
- 13.5.4 An employee who has been wrongfully suspended will be reimbursed for any pay plus interest, holidays, sick days or any other benefits withheld during the suspension, and a letter of apology placed in the personnel file.

14.0 Employee Appeal Procedure

14.1 Purpose

14.1.1 The purpose of an appeal procedure is to provide fair and consistent opportunities for resolving a problem between an employee and Five Nations Energy Inc. The successful operation of Five Nations Energy Inc. must provide for feedback from employees and provide methods for changes to, or confirmation of, management decisions and practices. Any staff member who feels that he/she has a legitimate complaint related to his/her employment, including any disciplinary action he/she feels was unjustified, may, after having tried to resolve the dispute informally, submit a written formal appeal to the Board of Directors.

14.1.2 Appeal procedures provide a basis for the timely settlement of disputes and resolution of problems that are within Five Nations Energy Inc.'s ability to alter. The appeal procedure is part of Five Nations Energy Inc.'s "open door" policy. Unless otherwise required by law, throughout this process, it is expected that such matters will be kept confidential between Five Nations Energy Inc. and the staff member involved.

14.2 Appeal Process

14.2.1 Step One

The employee must first discuss the problem with his/her immediate supervisor within 10 days of the occurrence. Should the matter remain unresolved, it may proceed to Step Two.

14.2.2 Step Two

The employee shall submit a signed written appeal to the Chief Executive Officer within fifteen days of the occurrence of the event that gave cause for the appeal. The Chief Executive Officer shall submit an answer in writing to the employee within five working days of the receipt of the grievance. If the grievance is still unresolved, the employee may proceed to Step Three. If the disciplinary action involves the Chief Executive Officer, he or she would submit a written appeal within 15 days of the occurrence to the President of the Corporation, who would in turn submit an answer in writing to the Chief Executive Officer within five working days of the receipt of the grievance.

14.2.3 Step Three

The employee shall submit a written appeal to the Board of Directors within five days of receiving an unsatisfactory reply from the Chief Executive Officer or the President as per Step Two; or expiration of the period prescribed in Step Two for the Chief Executive Officer or the President to reply to the appeal.

14.2.4 Step Four

Providing that the appeal has followed the procedures outlined above, and no mutually satisfactory resolution has occurred, the Board of Directors shall meet to review the appeal. The employee and/or his/her designate may be present at this meeting, and may speak to the appeal. The Chief Executive Officer and/or his/her designate may also be present, and participate in the discussion.

14.2.5 The Board of Directors shall have five working days from the time of such meeting to render a decision to the parties involved. The Board's decision shall resolve the matter finally.

14.2.6 The purpose of this section is to determine time limits. If during any step in the appeal procedure, the appeal has not been processed by the Employer within the prescribed time limits, the appeal may be advanced to the next step. Subject to these mandatory stipulations, time limits may be extended by mutual agreement of the parties involved.

14.2.7 An employee may, by written notice to the Chief Executive Officer or to the President , abandon an appeal.

14.2.8 An employee who fails to present an appeal to the next higher level within the prescribed time limits shall be deemed to have abandoned the appeal unless, due to circumstances beyond his/her control, he/she was unable to comply with the prescribed time limits, and the Employer has agreed to an extension.

15.0 Recruitment and Selection

15.1 Purpose

15.1.1 The purpose of recruitment and selection is to find the best possible candidate for the job.

15.2 Policy

15.2.1 It is the policy of Five Nations Energy Inc. to fill every vacant position, existing and anticipated, with the best candidate available. The regulations, rules and procedures contained in this policy shall apply to all full time, part time, contract or term, trainees and student employees, unless otherwise stipulated in an agreement or contract of employment. This policy is not intended to contravene federal or provincial labour laws or any other applicable laws.

15.2.2 In order to best serve the people of the communities served by Five Nations Energy Inc., the long range plan is to have Five Nations Energy Inc. staffed by a majority of people who have Aboriginal ancestry. At the same time, it is recognized that an effective recruitment process should be implemented and maintained for those occasions when Five Nations Energy Inc. is unable to find qualified First Nation employees in the numbers and with the skills required.

15.2.3 The management of Five Nations Energy Inc. will establish and pursue a workable and practical program of internal training and development to enable employees to advance within the organization.

15.3 Hiring Procedures - Selection of an Employee

15.3.1 An employee position becomes available in one of the following ways:

- It is decided to fill a vacant existing position;
- A new position is created; or
- An existing employee terminates his/her position, and it is decided to fill the vacant position.

15.3.2 Advertising of vacant positions should include, but not be restricted to:

- Facsimiles;
- Newspapers;
- Notices sent to member First Nation Band offices;
- Posted in member communities; and
- Notice sent to other First Nations organizations.
- Posting on the corporation's website

15.3.3 Each job advertisement should include the following:

1. A description of the job;

2. Required qualifications;
3. Name of contact person; and means by which they can be contacted,
4. Closing date of competition; and
5. Terms and conditions of employment,
6. Address to which applications are to be submitted.

15.3.4 All applications, for technical and management positions, will be reviewed by a selection committee within three weeks after the date for submission of applications. The selection committee may arrange to interview any or all of the candidates that apply for the position. If the selection committee does not believe that there are any suitable candidates that have applied for the job, it will notify the Board of Directors and may recommend that further steps be taken to fill the position, including re- advertising of the position. All applications for office support will be reviewed by the Chief Executive Officer with one or two selection committee members.

15.3.5 Interviews will be conducted by a selection committee of at least three persons. For all management positions, at least two members of the Board of Directors or Officers of Five Nations Energy Inc. will be on the selection committee. For all other positions at least one member of the Board of Directors or one of the Officers of Five Nations Energy Inc. will be on the selection committee. If a member of the Board of Directors or Officer of Five Nations Energy Inc. is a relative of any candidate applying for a position, he/she must declare a Conflict of Interest and decline to participate in the hiring process.

15.3.6 The successful candidate will be chosen based upon a scoring system. The suitability of a candidate for employment shall be determined based upon the applicant's education, experience, skill level, work history, heritage, references, and attitude.

15.3.7 All interviews for a position are to be conducted by the same selection committee, and all applicants will be asked a standard set of questions based on the requirements of the position. If either the applicant or a member of the committee cannot understand the language being spoken in the interview, translation services will be provided by FNEI. In extraordinary circumstances, video conferencing or teleconferencing is an acceptable form of interviewing.

15.3.8 The successful candidate for the position will be chosen by consensus of the selection committee. A second candidate may be agreed upon in case the first applicant is unable or unwilling to accept the position.

15.3.9 Up to three references will be verified before the candidate is notified of the results of the competition.

15.3.10 If successful, the candidate will be notified by telephone, to be followed up with written verification of an offer of employment. All other candidates will be informed in writing of the results of the competition, immediately following the decision of the selection committee.

16.0 Probation

- 16.1 The first day of employment shall be deemed to be the date of commencement of employment.
- 16.2 Every new employee hired for a position shall be on probation for a period of at least three months, during which period his/her performance will be assessed and a written evaluation provided at the end of three months, or at the end of the mutually agreed upon probationary period. Employment beyond the probation period will be based upon a written evaluation of the employee's performance.
- 16.3 At the end of the probationary period, the Employer may, based on the employee's evaluation:
- Make the decision to release the employee from his/her position;
 - Offer the employee a full time position; or
 - With the approval of the Board of Directors, extend the probation period for a further definite period of employment with specific conditions to be fulfilled and evaluated.
- 16.4 If the decision is made to release the probationary employee, or to extend the period of probation, the employee must be notified in writing prior to the end of his/her probationary period. In the case of an extension of the probationary period, the employee must be informed of the conditions that he/she is expected to meet during the probationary period.
- 16.5 If the probationary employee is offered a full time position, he/she shall be deemed to have fulfilled the conditions of their probationary period.
- 16.6 If the probationary employee reaches the end of his or her probation period, and has not been released nor had his or her probation extended, he or she shall be considered to be an employee of Five Nations Energy Inc.
- 16.7 The termination of probationary employees must be approved by the Board of Directors.

17.0 *Evaluating Employee Performance*

- 17.1 The primary purpose of evaluating performance is to see how the employee is performing, to recognize accomplishments and to identify areas for improvement. A successful evaluation does not necessarily constitute a raise in pay.
- 17.2 Evaluations of employees should identify their strengths as well as weaknesses and identify areas where there is a need for improvement and the assistance and support that the employee can expect to receive from Five Nations Energy Inc. in making such improvements.
- 17.3 All employees shall have a written performance evaluation carried out by their supervisor on a yearly basis, and such evaluations are to be the basis for any yearly merit increases that may be made. It is the responsibility of the immediate supervisor to see that evaluations are performed on a timely basis.
- 17.4 All written evaluations must be signed by both the supervisor and employee, and the employee has the right to request a copy of the evaluation. The evaluation will be placed in the employee's personnel file.
- 17.5 An evaluation can take place at any time during employment with Five Nations Energy Inc.

18.0 *Safety and Health*

- 18.1 The Employer shall continue to make all reasonable provisions for the occupational health and safety of all employees.
- 18.2 In emergencies, or in inclement weather, the office may be closed at the discretion of the Chief Executive Officer or the Operations Manager.

19.0 *Employee Training and Development*

- 19.1 Individual training and development needs should be assessed during the evaluation of each employee. If outside training is required and initiated by Five Nations Energy Inc., Five Nations Energy Inc. will pay for such training.
- 19.2 Training will be tailored to individual needs and skill levels based on assessment tools such as evaluation and consultation.
- 19.3 Training is vital to the development of Five Nations Energy Inc., and reflects in its quality of service. As such, it is regarded as mandatory insofar as opportunities are made available to staff members to attain a minimum standard of job functioning.
- 19.4 Training that goes beyond the minimum standard, or that has not been requested by Five

Nations Energy Inc. shall be considered on a discretionary basis and is subject to the availability of funds.

- 19.5 If an employee believes that he/she is not receiving adequate training, then he/she has recourse to discuss the problem with his/her immediate supervisor.
- 19.6 It is understood that inadequate job performance during the training period shall not have an undue negative effect on the employee's subsequent performance evaluation.
- 19.7 Mandatory training shall be conducted during normal working hours wherever possible.
- 19.8 Management and staff will jointly make provisions for relief of the employee's workload while undergoing training.
- 19.9 Subject to individually assessed needs, all employees are entitled to training consisting of:
- Basic orientation;
 - Program or department specific requirements; and
 - Technical instruction.
- 19.10 Delivery of training is conducted through the following methods:
- On the job training - can be curriculum based seminars or workshops;
 - In-agency instruction;
 - Outside courses/seminars;
 - Developmental assignments (i.e. acting assignments); and
 - Secondment to other agencies.
- 19.11 Training programs apply to probationary full time or part time staff, permanent full time or part time staff. Training for contract staff or term employees is discretionary.

20.0 Employee Assistance Programs

- 20.1 The Employer recognizes that many personal problems can affect an employee's job performance. In most instances, the employee will overcome personal problems independently, and the adverse effect on his/her job performance will be negligible. However, for some employees, professional help may be necessary. A "troubled" employee is an employee with medical or a behavioral problem that adversely effects his/her job performance with Five Nations Energy Inc.
- 20.2 The Employer believes that early recognition and referral in such cases affords the best chance for improved job performance. The Employer encourages employees to seek help on their own.
- 20.3 The Chief Executive Officer has the responsibility to implement the corporation's policies and procedures. The responsibility of supervisors is to refer diagnosis and treatment on the basis of unsatisfactory job performance and not to counsel employees themselves. Every effort should be made to correct job performance to acceptable levels or the employee may be disciplined or dismissed.
- 20.4 The employee has the responsibility to comply with a referral for diagnosis and cooperate with the prescribed treatment. Employees who refuse evaluation or diagnosis and do not improve their job performance to acceptable levels may be disciplined or dismissed.
- 20.5 To the greatest extent possible, use of the program outlined in this procedure will in no way affect an employee's confidentiality, and privacy will be respected.
- 20.6 The employee may have his/her workload lightened while extreme personal problems exist. Example: If an employee is going through a divorce, his/her supervisor can suggest a lighter workload if appropriate.

APPENDIX “B”

FINANCIAL POLICIES AND PROCEDURES

1. **Authority**

1.1 *Ontario Energy Board*

1.1.1 Five Nations Energy Inc. (FNEI) is a licensed transmitter in the Province of Ontario. It is licensed by the Ontario Energy Board, and must comply with the terms and conditions of its license, Ontario's Transmission System Code, a Connection Agreement with the Independent Electricity System Operator and the Affiliates Relationship Code.

1.1.2 FNEI's transmission rates are approved by the Ontario Energy Board, and form the basis of FNEI's budgets.

1.2 *Board of Directors*

1.2.1 The Board of Directors of FNEI is appointed by the Members of FNEI, which are the Attawapiskat Power Corporation; the Kashechewan Power Corporation; and the Fort Albany Power Corporation; at the Annual Members Meeting as set out in Bylaw # 1 of the Corporation.

1.2.2 The responsibilities of the Board of Directors of FNEI and the Chief Executive Officer with respect to the administration of FNEI include:

- a. Planning, estimating, and budgeting, for the funds and resources required for the operations of the Corporation;
- b. Ensuring sound financial management including accountability to lenders;
- c. Initiating or conducting investigations and taking the required disciplinary action that may be required where an Employee does not comply with these conditions or other applicable regulations;
- d. Permitting access to community Members at reasonable times, the minutes of all meetings of the Board of Directors, Bylaws, and resolutions of the Corporation;
- e. Ensuring the appointment of a person or persons who will:
 - i. Record all resolutions, decisions and other proceedings of the Board of Directors in a prescribed manner;
 - ii. Keep the books, records and accounts, of the Corporation in accordance with established procedures;
 - iii. Maintain a filing system in which is kept with all minutes of the Board of Directors, all Bylaws, and copies of vouchers, bank statements, canceled cheques, and correspondence relating to the business of the Corporation;
 - iv. Receive, record, and deposit all monies received by the Corporation and pay those monies in accordance with established procedures;

- v. Prepare monthly statements to be presented at the regular meetings of the Board of Directors or in any event, at least once a month showing:
 - Income and expenditure statements
 - Comparison of budgeted and actual operating results
 - Other information as required by the Corporation

1.3 FNEI Finance and Human Resources Committee

The Committee shall be made up of the President, Secretary, Treasurer, as well as other Members appointed by the Board of Directors.

The Committee will meet quarterly, unless more frequent meetings are necessary. The remuneration of Committee Members is per Directors' honorarium as set from time to time plus allowable travel costs to attend Committee meetings.

The Committee shall be responsible for reviewing the financial transactions and financial statements of FNEI before these financial statements are approved by the Board of Directors. The Committee will provide assistance to the Board of Directors in fulfilling its financial reporting and control responsibilities to the Members of FNEI.

The Committee shall review personnel policies and procedures, recommend on issues of salaries and benefits, assist as needed with hiring and retention issues and protect the Corporation by ensuring compliance with all laws related to personnel issues.

The Committee shall conduct an annual review of these Term of Reference and recommend any proposed changes to the Board of Directors for approval.

Selection of the Committee Members:

The Committee Members will be selected as required at the next meeting of the Board of Directors following the Annual General Meeting of the Members. The suggested term for Committee Members is two years, and Members of the Committee can be reappointed.

Qualifications of the Members of the Committee:

All Members shall, to the satisfaction of the Board of Directors, be financially literate (ie will have the ability to read and understand a balance sheet; an income statement; a cash flow statement and the notes attached thereto).

Duties and Responsibilities:

The Finance and Human Resources Committee's duties and responsibilities for financial matters are to:

1. Monitor financial reporting processes and internal control systems. This will involve reviewing the detailed financial transactions' listings (ie summaries of all disbursements made, a summary of the budget to actual listings and any other relevant documents) on a monthly basis to ensure compliance with FNEI's financial policies and procedures;
2. Assist in the preparation of annual budgets;
3. Oversee the integrity of FNEI's financial statements;
4. Ensure FNEI's compliance with legal and regulatory requirements;
5. Review and appraise the audit activities of FNEI for financial reporting and control matters;
6. Reviewing with the independent auditors and management, the adequacy and effectiveness of the financial and accounting control of FNEI;
7. Making recommendations to the Board of Directors regarding the selection, the appointment, evaluation, fees, if necessary, the replacement of the independent auditors;
8. Establishing procedures for receiving, handling and retaining of complaints received by FNEI regarding accounting, internal controls, or auditing matters;
9. Establishing procedures for Employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters;
10. Reviewing with the independent auditors any audit problems or difficulties and management's response, and resolving disagreements between management and auditors;
11. Making inquiries of management and the independent auditors to identify significant business and financial risks and exposures and assess the steps that management has taken to minimize such risk to FNEI;
12. Reviewing with management and the independent auditors' interim financial information for the purpose of recommending approval by the Board of Directors prior to its release;
13. Subject to the Board of Director's approval, engaging independent counsel and other advisors if the Committee determines such advisors are necessary to assist the Committee in carrying out its duties;
14. Annual review of the FNEI financial policies and the confirmation of compliance with FNEI's policies on internal controls;
15. Making recommendations to the Board of Directors regarding the financial transactions and reports of FNEI;
16. Making recommendations to the Board of Directors regarding the remuneration of the Board of Directors and Officers as required;
17. The Committee shall review compensation, including benefits, of the Board of Directors and shall make recommendations to the Board of Directors regarding said compensation and benefits.

The Finance and Human Resource Committee's duties and responsibilities for Personnel matters are:

18. The Committee approves and develops job descriptions for all FNEI Employees;
19. The Committee shall review and approve Employees' compensation, including incentive compensation programs and shall make recommendations to the Board of Directors on such;
20. The Committee will provide ongoing support and advice to the Board of Directors regarding all personnel issues and makes recommendations on hiring practices;
21. The Committee shall review all proposed employment contracts, and/or severance agreements, and make recommendations to the Board of Directors on such agreements;
22. The Committee shall review all candidates for employment with the Corporation and shall make recommendations to the Board of Directors regarding such candidates;
23. Ensure FNEI's compliance with legal and regulatory requirements with respect to personnel issues;
24. Establishing procedures for receiving, handling, and retaining of complaints received by FNEI regarding personnel matters;
25. Subject to the Board of Directors' approval, engaging independent counsel and other advisors if the Committee determines such advisors is necessary to assist the Committee in carrying out its duties.

1.4 Management

- 1.4.1 The Chief Executive Officer, Operations Manager, and the Treasurer, have spending authority up to the budgeted amounts approved by the Board of Directors. In the case of an emergency, the Chief Executive Officer, the Operations Manager, Treasurer, and the President, in consensus, have the authority to spend funds as required. In such a case, a report will be prepared for the next Board of Directors meeting.
- 1.4.2 The Board of Directors may authorize up to three Officers or Directors to be named by resolution to sign cheques on its accounts. All cheques are to be signed by at least two of these authorized persons, one of whom is the Treasurer or the Chief Executive Officer or the Operations Manager. Other specific signing Officers for special accounts will be named by resolution.
- 1.4.3 The authorized Bank Signing authorities will be deemed to have the authority to bind the Corporation up to budgeted amounts as approved by the Board of Directors. The Board of Directors will need to approve and authorize all other agreements that bind the Corporation.
- 1.4.4 All efforts will be made to collect amounts owing to FNEI. The approval of designating accounts as uncollectible will require a Board of Directors motion.

- 1.4.5 The expenditure of costs not directly related to the operations and maintenance of the transmission system will require Board of Directors approval.

2. Reporting

2.1 Audit

- 2.1.1 The audit should normally be completed before June 30th for the fiscal year ending the preceding Dec. 31st.
- 2.1.2 The Board of Directors shall appoint an auditor to audit the financial records and inventories of the Corporation at least once each year, at the Annual General Meeting of the Members.
- 2.1.3 The Terms of Reference for the Auditor are as follows:
- a. The examination must be in accordance with generally accepted auditing practices, and it will include a general review of accounting procedures, and such tests of accounting records as the auditor considers necessary in the circumstances.
 - b. The auditor will have the right to access at all reasonable hours the accounting records, supporting vouchers and documents including minutes of Corporation meetings.
 - c. Financial statements should be prepared on an accrual basis. They are to report on all of the Corporation's financial activities, and consist of:
 - i. A balance sheet;
 - ii. A statement of revenue and expenditures for each program including details of surpluses or deficits;
 - iii. A consolidated balance sheet and statement of revenue and expenditures;
 - iv. A statement of cashflows.
- 2.1.4 The auditor is to express an opinion as to the accuracy of the financial statements as a reflection of the financial position of the Corporation in accordance with generally accepted accounting principles. The auditor should also state recommendations, which the Corporation should follow.
- 2.1.5 The audited financial statements will be signed by the President and Treasurer upon acceptance by a quorum of the Board of Directors, and will be included in the records of the Corporation.

2.2 Ontario Energy Board

- 2.2.1 Quarterly regulatory reports to the Ontario Energy Board will be filed electronically on a quarterly basis as required.

2.2.2 A copy of FNEI's annual audit will be forwarded to the Ontario Energy Board.

2.3 Lending Institutions

2.3.1 Quarterly financial reviews completed by the auditor will be forwarded to the lenders as required.

2.3.2 A copy of FNEI's annual audit will be forwarded to the lenders.

2.4 Board of Directors

2.4.1 The Chief Executive Officer and the Operations Manager will provide a written report regarding the operations and maintenance of the Corporation to the Board of Directors on a quarterly basis.

2.4.2 A copy of the Corporation's income statement, statement of cash flows, and a consolidated balance sheet will be provided to the Board of Directors on a quarterly basis.

2.4.3 A comparison of the Corporation's budget to actual expenditures for operations will be provided to the Board of Directors on a quarterly basis.

2.4.4 A comparison of the Corporation's budget to actual expenditures for capital expenditures will be provided to the Board of Directors on a quarterly basis.

2.5 FNEI Finance and Human Resources Committee

2.5.1 A copy of the Corporation's income statement and a consolidated balance sheet will be provided to the Chief Executive Officer and the Finance and Human Resources Committee on a monthly basis.

2.5.2 A comparison of the Corporation's budget to actual expenditures for operations will be provided to the Chief Executive Officer and the Finance and Human Resources Committee on a monthly basis.

2.5.3 A report on budget to actual expenditures for Projects and any other capital expenditures will be provided to the Chief Executive Officer and the Finance and Human Resources Committee on a monthly basis.

2.5.4 The Chief Executive Officer will inform the Finance and Human Resources Committee once it is anticipated that a certain project will exceed the original approved budget.

2.5.5 When a project's budget variance exceeds 20%, approval is required from the Board of Directors for the project to proceed further.

- 2.5.6 A detailed listing of accounts payable, including an aging report of the accounts will be provided to the Chief Executive Officer and the Finance and Human Resources Committee on a monthly basis.
- 2.5.7 A detailed listing of accounts receivable, including an aging report of the accounts will be provided to the Chief Executive Officer and the Finance and Human Resources Committee on a monthly basis.

2.6 FNEI Other Stakeholders

- 2.6.1 The Finance and Human Resources Committee shall recommend to the Board of Directors to designate from time to time other Stakeholders that shall be reported to.

3 Accounting Principles

3.1 Generally Accepted Accounting Principles

- 3.1.1 FNEI will follow Canadian GAAP (generally accepted accounting principles), as set out for electricity transmission utilities.

3.2 OEB Uniform System of Accounts

- 3.1.2 FNEI will follow the Ontario Energy Board's Uniform System of Accounts for the tracking of expenditures.

3.3 Fiscal Period

- 3.3.1 FNEI's fiscal year will end December 31st of each year.

3.4 Internal Cash Controls

- 3.4.1 There must be a separation of duties between the person receiving cash and the person responsible for maintaining the accounting records.
- 3.4.2 Cash receipt activity should be reconciled weekly. The reconciliation should be reviewed by someone independent of the cash handling or recording functions.
- 3.4.3 The following responsibilities should be distributed among personnel so one person is not responsible for all aspects:
- Opening mail
 - Endorsing cheques

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- Preparing deposits
- Reconciling to budget statements
- Billing and collection duties should be distributed among personnel

- 3.4.4 All forms of cash (currency, cheques, money orders, negotiable instruments and charge card Transactions) should be physically protected through the use of vaults, locked cash drawers, locked metal boxes, etc.
- 3.4.5 It is the responsibility of the Chief Executive Officer to make whatever provisions are necessary to properly safeguard the cash receipts. Cash should not be retained in desk drawers or standard file cabinets since they are easily accessed with minimal forcing or readily available keys.
- 3.4.6 Money should be deposited promptly and intact to the bank. Cashing cheques from FNEI's Deposits, borrowing cash for personal use, lapping receipts to cover shortages in cash receipts, withholding cheques for deposit in order to float cheques, commingling of personal and FNEI funds, and modification of cash records are all serious offenses and may result in immediate discharge from employment and/or prosecution.
- 3.4.7 The person performing the bank reconciliations should not have bank signing authority.

3.5 Accounting Software

- 3.5.1 A computerized double entry bookkeeping system is to be maintained to record all financial transactions.
- 3.5.2 The system is to include the facility to record:
- a. all receipts and disbursements
 - b. all accounts receivable and other assets
 - c. all commitments for services or benefits received, but not immediately paid for
 - d. details of Employee earnings and payroll deductions
- 3.5.3 The general ledger is to be maintained and updated monthly to facilitate a continual accounting Of revenue received, expenses incurred, and changes to assets, liabilities and operating funds.
- 3.5.4 Bank reconciliations are to be prepared upon receipt of bank statements and canceled cheques.
- 3.5.5 Monthly listings of accounts receivable and accounts payable are to be prepared and balanced to the general ledger control account where applicable.

4 Banking

4.1 Operating Bank

- 4.1.1 All funds received must be deposited intact, without undue delay at a branch of a Canadian Chartered Bank.
- 4.1.2 Funds held in trust by the Corporation will be deposited in a separate trust account designated for that purpose.
- 4.1.3 A change of the Corporation's banking institutions can only be completed at an Annual Members Meeting.

4.2 Process for Borrowing Money or Obtaining a Line of Credit

- 4.2.1 Funds can only be borrowed with a resolution of a quorum of the Board of Directors as per the Corporation's Bylaw #2.

5 Budgets

5.1 Operations Budget

- 5.1.1 FNEI's operations budget shall be based upon the rates application approved by the Ontario Energy Board.
- 5.1.2 The operations budget shall be reviewed, revised and approved on an annual basis by the Board of Directors.

5.2 Capital Budget

- 5.2.1 The budget for capital expenditures shall be approved by the Board of Directors on an annual basis.
- 5.2.2 The budget for specific capital projects shall be approved by the Board of Directors.

6 Reserve Funds

6.1 Operating Reserve

- 6.1.1 The amount(s) set aside into an operating reserve shall be approved by the Board of Directors based on recommendations from the Finance and Human Resources Committee.

- 6.1.2 The maximum amount in the operating reserve shall be reviewed annually with the amount to be recommended by the Finance and Human Resources Committee and approved by the Board of Directors.

6.2 Self-Insurance

- 6.2.1 The amount(s) set aside into the Corporation's self insurance reserve shall be approved by the Board of Directors based on recommendations from the Finance and Human Resources Committee.
- 6.2.2 Withdrawals from the self insurance reserve will only be permitted by a resolution of the Board of Directors.
- 6.2.3 The maximum amount in the insurance reserve shall be reviewed annually with the amount to be recommended by the Finance and Human Resources Committee and approved by the Board of Directors.

7 Purchasing

7.1 *Purchase Orders*

- 7.1.1 Regular purchases for day to day operational supplies and services require the use of a Purchase Order. It is recommended that accounts be set up with regular suppliers.
- 7.1.2 Purchase Orders for purchases must be approved, and signed, by the Chief Executive Officer, or his/her designate, provided that:
- a. the necessary funds are identified in the budget
 - b. the Purchase Orders are required by the Corporation
 - c. the Purchase Orders are made in accordance with established regulations and procedures of the Corporation.
- 7.1.3 Purchase Order forms will be completed in triplicate using Pre-numbered forms. A Purchase Order Log will be maintained to account for each Purchase Order in numerical order.
- 7.1.4 The original copy of the Purchase Order is to be forwarded to the supplier, and two copies retained at the FNEI office.
- 7.1.5 The duplicate copy of the Purchase Order should be attached to the invoice being processed for payment after the receipt or delivery has been certified as well as the quality, quantity, price, and total charges.

- 7.1.6 The third copy of the Purchase Order should be filed in numerical order to facilitate accounting for all Purchase Order numbers.
- 7.1.7 Any capital purchases in excess of \$15,000 must be approved by the Board of Directors.
- 7.1.8 At no time will a staff member make orders before Purchase Orders are approved.
- 7.1.9 Purchase Orders must be kept in safekeeping. Outstanding Purchase Orders will expire within six months of the date of issue if no goods and services have been provided.
- 7.1.10 All outstanding Purchase Orders will be reviewed at the FNEI's fiscal year end. A report listing each outstanding Purchase Order detailing the amount of goods and/or services to be provided will be prepared for the Finance and Human Resources Committee for their review and information.

7.2 Threshold for Requiring Competitive Quotes

- 7.2.1 Competitive quotes will be required for all purchases unless it can be clearly demonstrated that a competitive quote is not required.

7.3 Credit Card Purchasing

- 7.3.1 Credit cards will be issued as recommended by the Chief Executive Officer, and approved by the Board of Directors for the sole purpose to purchase good and services for FNEI. All credit card receipts for FNEI purchases must be submitted to the FNEI office for the reconciliation of monthly credit card statements. Failure to do so will result in suspension of credit card privileges. Misuse of the FNEI credit cards will result in immediate suspension of credit card privileges and this includes any purchases made that are not for FNEI business. Every effort will be made to immediately recoup the funds.
- 7.3.2 Credit cards for the Board of Directors will be provided for the sole purpose of FNEI board meetings; other pre-approved meetings/conferences by the Chief Executive Officer. Receipts will be required by the FNEI office for reconciliation of Mastercard statements. FNEI business costs will include the following:
 - a. rental of a vehicle, if applicable
 - b. payment of hotel accommodations
 - c. booking of air travel, if applicable
 - d. any other approved FNEI business expenses.

7.4 Sales Tax Policy

- 7.4.1 Retail sales tax (RST) (commonly referred to as the PST or Provincial Sales Tax) must be paid on all items purchased by FNEI.
- 7.4.2 All businesses that supply goods or services to FNEI are required to charge RST on all RST taxable items and all contracts or quotations for the supply of goods must include the RST in the total cost of the goods being supplied.
- 7.4.3 FNEI is a GST (Goods and Sales Tax) registrant and is required to pay the GST on goods and services that it purchases.

8 Cost Recovery

8.1 Administration Overhead

- 8.1.1 FNEI's normal administration overhead charged is 15%. This rate may be reduced or waived upon the Finance and Human Resources Committee's recommendations to the Board of Directors.

8.2 Invoicing Procedures

- 8.2.1 Local Distribution Companies-an invoice will be prepared on a quarterly or as required basis with backup supporting documentation. Administration overhead will not be charged to the Members of Five Nations Energy Inc.
- 8.2.2 Other Customers-An invoice will be prepared on a quarterly or as required basis with backup supporting documentation. Administration overhead will normally be charged, however, it may be waived at the discretion of the Finance and Human Resources Committee.

8.3 Collection Procedures

- 8.3.1 FNEI reserves the right to send delinquent accounts to a collection agency for collection or to ***Small Claims Court***.

9 Contracting

9.1 Tendering Guidelines

- 9.1.1 As the annual capital budget is being determined, the Finance and Human Resources Committee will determine which projects will require a tender process.

9.2 Sole Source Contracting Principles

- 9.2.1 If it can be demonstrated that a sole source contract would provide best value to FNEI, then a contract may be sole sourced.

9.3 Required Clauses in Each Contract

- 9.3.1 Each contract entered into on behalf of FNEI must include terms and conditions including rates, insurance requirements, confidentiality provisions, and identification of potential liability, termination clauses, and the duties for which the contract is in effect.

10 Disbursements & Payments

- 10.1.1 All accounts should be paid for on or before the due date, and any discount in payments should be taken advantage of.
- 10.1.2 All invoices are only paid when supported by a Purchase Order, and if applicable, a signed packing slip that the goods have been received.
- 10.1.3 Disbursements or payments are to be made by a pre-numbered cheque on the basis of certified supporting documentation, such as the invoice, the packing slip, and the Purchase Order. All cheques are to be accounted for. Void cheques are to be retained for audit purposes.
- 10.1.4 The Board of Directors may authorize up to three (3) Officers or Directors to be named by resolution to sign cheques drawn on its' accounts. All cheques are to be signed by at least two of these authorized persons, one of whom is the Treasurer, and the Chief Executive Officer or the Operations Manager. Other specific signing authorities for special accounts will be named by resolution.
- 10.1.5 Corporation cheques are not to be post dated, and must not be signed blank.
- 10.1.6 Where a cheque is reported as lost, destroyed, stolen, or has been presented for payment longer than six months from the date of issue, it will be canceled, and a stop payment notice sent to the bank. A duplicate cheque may then be issued, but the payee must indemnify the Corporation against further loss.
- 10.1.7 Regular invoices (ie. phone bills, hydro bills, equipment lease payments, Employee payroll deductions and benefits, etc.) will be verified by the Administrative Assistant prior to being paid.

10.2 Petty Cash

- 10.2.1 Petty cash can be used for miscellaneous cash purchases where it is not practical to issue a Purchase Order.
- 10.2.2 Petty cash should be reconciled as required. The person issuing the cheque for petty cash should not do the petty cash reconciliation.

10.3 Ordinary Capital Expenditures

- 10.3.1 Prior to undertaking capital projects, a project plan including a budget must be developed and approved by the Finance and Human Resources Committee.
- 10.3.2 For capital projects with a total cost of over \$50,000, a Project Manager must be identified. The Project Manager will be accountable for ensuring the project is carried out according to the Project Plan and Budget.
- 10.3.3 Project costs will be assigned an accounting code in order that expenditures relating to the project can be tracked.
- 10.3.4 The Project Manager will inform the Chief Executive Officer, who will in turn inform the Finance and Human Resources Committee once it is anticipated that a certain project will exceed the original approved budget or if the project will be late in its completion; and must be signed off by the Treasurer or the Chief Executive Officer.
- 10.3.5 When a project's budget variance exceeds 20%, approval is required from the Board of Directors for the project to proceed further.
- 10.3.6 All disposals of assets whose acquisition cost exceeded \$5,000 will require Board of Directors approval. Such actions will be recorded in the minutes.

11 Travel Policy

11.1 Overview

- 11.1.1 The Corporation will reimburse Employees, Officers, Directors and outside contractors for reasonable out of pocket expenses.
- 11.1.2 Any monies owing to the Corporation will be repaid in cash, or by a deduction from the Employees' next pay cheque.

11.2 Approved Travel Rates

11.2.1 Corporate or government rates for accommodations (if available) should be requested. The maximum allowed accommodation rate is \$250, unless there is no other accommodation available.

11.2.2 When hotel reservations are canceled, it is the responsibility of each Employee or Director to advise the hotel prior to the deadline time in order that the Corporation is not charged for unused rooms. If charges are processed and paid for by the Corporation, this amount will be deducted from the next travel disbursement or honoraria entitlement.

11.2.3 The rate for private accommodation (without receipts) is \$50.00.

11.2.4 Daily meal allowances shall be those established from time to time by the Corporation. As of November 3, 2005, these rates are as follows:

a.	Breakfast	\$15.00
b.	Lunch	20.00
c.	Supper	<u>40.00</u>
		\$75.00

Note: Receipts are required for approved business meals that are above the maximum allowed.

11.2.5 Incidental payments are allowed for every day that the Employee, Director, or Officer, travels away from home. The maximum payment for incidentals is \$15.00 per day.

11.2.6 The mileage rate paid by FNEI for travel in a private vehicle is \$0.65/km.

11.3 Procedures for Travel Expenses for FNEI Staff and Management

11.3.1 All car and truck rentals must be approved the Chief Executive Officer or Operations Manager or the Treasurer. The most economical car rental rate should be utilized, and full insurance must be taken. The Corporation will not be responsible for any accidents, traffic violations, or parking tickets.

11.3.2 All travel arrangements for which reimbursement of expenses is to be made shall be approved in advance by the President, Treasurer, or the Chief Executive Officer. Rates of travel reimbursements will follow corporate approved standard rates set out in Section 11.2.

11.3.3 At the end of each trip, the Employee is required to complete a travel expense claim within a week of his or her return. Original receipts must be included for all expenses, including prepaid expenses. In lieu of missing receipts, a signed declaration must be included with travel claims.

- 11.3.4 All travel claims must be approved by the President, Treasurer or the Chief Executive Officer before being paid. In the case of the Chief Executive Officer, his or her travel claims must be approved by the President or Treasurer.
- 11.3.5 No further travel advances will be issued until previous travel advances are accounted for. The maximum travel claims outstanding are not to exceed two (2).
- 11.3.6 When travel arrangements are changed or cancelled, it is the responsibility of each Employee to advise the designated travel agency that originally made the arrangements. All unused tickets must be returned.
- 11.3.7 If it is necessary for the Chief Executive Officer or the Operations Manager to draw on a cash advance for travel, the maximum amount of all outstanding travel advances is to be \$1,000.00.

11.4 Procedures for Travel Expenses for the FNEI Board of Directors

- 11.4.1 All travel arrangements for which reimbursement of expenses is to be made shall be approved in advance by the President, Treasurer or Chief Executive Officer. Rates of travel reimbursements will follow corporate approved standard rates set out in Section 11.2.
- 11.4.2 Once travel has been approved, a travel advance will be completed by the Administrative Assistant based upon the standard approved travel rates set out in Section 11.2. Directors are not required to complete a travel claim after a trip.
- 11.4.3 When travel arrangements are changed, it is the responsibility of each Director to advise the designated travel agency that originally made the arrangements. All unused tickets must be returned.
- 11.4.4 Attendance at Board meetings will be verified. Any outstanding advances that have been paid for meetings that were not attended by the Director will be recovered from the travel disbursement or honoraria paid for the next Board of Directors meeting.

11.5 Procedures for Consultants

- 11.5.1 All travel arrangements for which reimbursement of expenses is to be made shall be approved in advance by the Chief Executive Officer or his/her designate.
- 11.5.2 Rates of travel reimbursements will follow corporate approved standard travel rates, as per section 11.2.

11.5.3 Flight passes purchased by FNEI or a FNEI Purchase Order to a designated travel agency should be utilized for Air Travel unless it can be shown that it was beneficial to FNEI to purchase a ticket by other means (a credit card, either FNEI's or the Consultant's).

11.5.4 Other costs that are invoiced shall be based on actual costs.

11.6 Officers and Directors Remuneration and Reimbursement

11.6.1 The Directors of FNEI shall be entitled to such remuneration for their services as may be determined from time to time by the Board of Directors. Currently, this has been determined to be \$3000 per year; and this annual honorarium will not be paid out in full until all credit cards of the Board of Directors have been reconciled. The Board of Directors will also receive \$500 per meeting plus reasonable expenses. In addition, the Board of Directors shall be entitled to a flat rate of \$250 for travel days to attend FNEI Board meetings; or other meetings/conferences where the Director has been requested to attend on behalf of FNEI; and pre-approved by the Chief Executive Officer.

11.6.2 The Officers of FNEI shall be entitled to such remuneration for their services as may be determined from time to time by the Board of Directors. Currently, this has been determined to be \$4000 per year, and \$600 per meeting for the Secretary, Treasurer, and Vice President, plus reasonable expenses. The rate of remuneration for the President of FNEI is currently set at \$5000 per year and \$750 per meeting, plus reasonable expenses.

11.6.3 As per honorarium rates approved by the Board of Directors, remuneration will be paid to the Corporation's Directors at \$500/day for the following:

- a. Meetings of the Board of Directors
- b. Committee Meetings
- c. Meetings where the presence of the Directors and/or Officers are required
- d. Conferences or meetings that are relevant to the business of FNEI that have been pre-approved by the President, Treasurer or Chief Executive Officer
- e. Additional work required by the Corporation, pre-approved by the President, Treasurer or Chief Executive Officer.

11.6.4 No payment will be made to the Directors and Officers of FNEI in lieu of lost wages.

11.6.5 No payments will be made to the Board of Directors and Officers of FNEI in excess of the regular honoraria as set out in Section 11.6.1 and Section 11.6.2.

12 Risk Management

12.1 Insurance Requirements

12.1.1 The Board of Directors of the Corporation will obtain adequate insurance coverage to protect the Corporation's assets.

12.1.2 These will include, at a minimum, the following kinds of insurances:

- a. Property
- b. Boiler and Machinery
- c. Non-owned aircraft
- d. General Liability Insurance
- e. Umbrella Liability
- f. Directors and Officers Liability Insurance
- g. Vehicle Insurance
- h. Accident Insurance

12.1.3 An annual review of the insurance requirements will be undertaken to ensure that adequate coverage is in place.

13.1 Property Security Policy

13.1.1 All property, equipment, and supplies, acquired by FNEI remain the responsibility of FNEI until disposed of in an authorized manner.

13.1.2 Management of FNEI may dispose of FNEI property (equipment and supplies) as follows:

- a. Trade the item in on new acquisitions through purchasing with prior Board of Directors approval;
- b. Sell the item with prior Board of Directors approval;
- c. Salvage the item for parts, only after the Board of Directors has approved disposal in this manner;
- d. Return the item to the owner if loaned or leased to FNEI.

13.1.3 The loss of any piece of equipment with an original purchase price of \$5000 or more and a life expectancy of more than one year, which is not consumed in the normal course of business, must be reported immediately to the Police, and the Chief Executive Officer, for insurance claim purposes.

13.1.4 Damage or destruction of property should be reported promptly to the Chief Executive Officer.

13.1.5 Damage or destruction of property by a criminal act should be reported promptly to the local police.

13.1.6 Any equipment purchased by FNEI for use by the Board of Directors must be returned to FNEI when a Board of Director resigns from the FNEI Board of Directors

13.2 Security of Electronic Data

13.2.1 Access to data residing in administrative systems of FNEI is to be granted only to those individuals who must, in the course of exercising their responsibilities, use the specific information.

13.2.2 It is the responsibility of the Chief Executive Officer to ensure adequate physical security over FNEI's computer equipment, restrict equipment access to authorized personnel only, and adequately assure that output containing confidential information is properly safeguarded. Responsibilities also include maintenance of operating system-level security specific to the computing equipment.

13.2.3 Operating Systems used for FNEI's information technology systems must have, at a minimum, the following security features:

- a. Discretionary access controls, where individual users can be included/excluded from accessing files and other objects or from achieving certain forms of access;
- b. Notification to the data owner/computer operator/data security officer of security breaches (unauthorized attempts to access certain files or the system);
- c. Maintenance of an audit record of security events, as well as authorized or unauthorized file access;
- d. Ability to audit changes to user id files;
- e. Ability for idle terminals logged into applications to be disconnected after a 15 minute period;
- f. An encryption system to provide a high level of security for sensitive data transmission files;
- g. Login features such as automatic disconnection on multiple login failures;
- h. Break-in detection and disabling user ids for a period of time after detection;
- i. Automatic id expiration- Access restrictions based on user id, time of day and day of week;
- j. Control over dial-up or network access to restricted data and systems;
- k. Backup and recovery procedures must be developed and maintained for all computing systems and data.

13.2.4 The following requirements must be met:

- a. Provision for regular backup of data residing on the system;
- b. Storage of backup media at a location remote from the FNEI office;
- c. An approved Disaster Recovery Plan written and implemented to cover situations in which hardware and/or software cannot run in its normal environment.

13.2.5 The Chief Executive Officer should periodically review backup and recovery procedures to ensure their continued applicability.

13.2.6 Passwords are a critical component to any computer security program. To properly control passwords and maintain their integrity, the guidelines below will be followed:

- a. Passwords will automatically expire every 90 days, or more frequently in cases of user ids with access to very sensitive data;
- b. Users must never give out their personal password to anyone; sharing of passwords is a violation of this policy;
- c. As part of the educational process, the Chief Executive Officer will provide users with guidelines for selecting and changing their passwords;
- d. Generic user ids should not exist, except as the source for the production, maintenance, and development of application systems. In cases where many people log in under a single user id, audit trails and system statistics become ineffective in assigning responsibility.

13.2.7 When an Employee terminates employment with FNEI, the following guidelines should be followed:

- a. Immediately change or remove the passwords for those user ids to which an Employee leaving FNEI has had access or update capabilities. This standard practice serves to protect the Employee in the event of any problems and the FNEI systems against possible tampering;
- b. Monitoring such user ids is the responsibility of the Chief Executive Officer.

13.2.8 In the course of accessing data or information, an FNEI Employee might access restricted information. It is the responsibility of the Data Owner to ensure that all individuals with access to restricted data area aware of the confidential nature of the information and the limitations, in terms of disclosure, that apply.

13.2.9 When accessing restricted information, the FNEI Employee is responsible for maintaining its confidentiality. The granting of a user id and password assumes that you will maintain confidentiality over appropriate information without exception.

13.2.10 The release of restricted data without the express approval of the Chief Executive Officer or

outside the guidelines established for such data will not be tolerated.

13.2.11 Unauthorized release of restricted information will result in appropriate disciplinary action, including possible dismissal. All matters involving FNEI Employees will be reviewed by the Board of Directors. Matters involving individuals not affiliated with FNEI will be reviewed with the Corporation's attorney.

14 Conflict of Interest Policy

14.1.1 Officers and Members of the Board of Directors of FNEI must avoid any conflict of interest with respect to their responsibility to FNEI.

14.1.2 When they are nominated to the Board of Directors, Directors and Officers understand and accept that they are expected to put the interests of FNEI, its customers and communities that FNEI serves before all of their own interests and over the interests of a group or organization to which the Officer or Board Member belongs or by which he or she is employed.

14.1.3 A conflict of interest occurs when an Officer or Board Member participates in discussions or decision making about a matter which may financially benefit that Officer or Board Member, directly or indirectly, regardless of the size of the benefit.

14.1.4 Officers and Board Members must not use their positions to obtain employment within the Corporation for themselves, family members, or close associates.

14.1.5 There should be no self dealing or any conduct of private business between any Officer or Board Member and the Corporation except as procedurally controlled to assure openness, competitive opportunities and equal access to "inside" information.

14.1.6 Upon election or appointment, a new Officer or Board Member must sign a Memorandum of Understanding regarding FNEI's Conflict on Interest policy and must disclose any recognize immediate or potential conflict of interest.

14.1.7 All Board Members and Officers will inform the Board of Directors when they become aware that a current or future conflict of interest situation may arise.

14.1.8 Before meetings of the Board of Directors, an agenda will be circulated to each Officer and Director with agenda items specified with sufficient detail in order to permit the Board Member or Officer to identify possible conflicts of interest.

14.1.9 Prior to the commencement of any discussions at the Board meeting, the Chair shall provide an opportunity for the Members or Officers to declare any conflict of interest regarding any specific

agenda items.

- 14.1.10 Conflicts should be declared whether or not the Board Member or Officer attends the meeting. The details of any such disclosure should be noted in the minutes of the meeting.
- 14.1.11 If an Officer or Board Member has disclosed a conflict of interest regarding an agenda item, that person will leave the meeting room when the Board of Directors reaches that agenda item. The departure of the Board Member or Officer should be noted in the minutes and there should be no discussion of the agenda item until the Member has left the meeting room. When the discussion of the agenda item is completed, the Member may return to the meeting and the return should be noted in the minutes.
- 14.1.12 It would be considered unethical for any other Member of the Board of Directors to discuss the subject with the Officer or Director who has declared the conflict until all discussion and related voting has taken place, even if this process spans several different meetings.
- 14.1.13 Any current Board Member of the Board or Officer interested in a paid position with the Corporation must submit his/her letter of resignation..
- 14.1.14 The Board of Directors may decide to delay accepting the resignation until after it is determined whether or not the Member is the successful candidate; or the Board of Directors, if it wishes, having accepted the resignation may decide to reappoint that Member to the Board of Directors should he/she not be hired.
- 14.1.15 An Officer or Member's resignation in these circumstances must declare that, as a staff person, he/she will not disclose or in any way use any confidential information obtained as a Board Member or Officer. All hiring of staff shall follow the stated policies of FNEI.

15 Support of Community Events

15.1 Donation Policy

- 15.1.1 "The objects of Five Nations Energy Inc., are to promote the social, economic, and civic welfare and development of Attawapiskat, Fort Albany, and Kashechewan First Nations by:
- a. Promoting, acquiring, developing, and establishing works and facilities of any manner or nature for the provision acquisition, transmission, distribution of electricity and other utilities to the communities of Attawapiskat, Fort Albany, and Kashechewan, First Nations and elsewhere;
 - b. Constructing, operating, maintaining and managing such works and facilities for the general benefit and for the purpose of providing electrical power and other

utilities to the communities of Attawapiskat, Fort Albany, and Kashechewan, First Nations and elsewhere; and

- c. Through the accomplishment of the objects described in paragraphs 1 and 2, encouraging and promoting self-sufficiency, skills training, employment and economic development opportunities, community cooperation, measures to improve the protection of the natural environment and such other measures to that are socially beneficial for the community as may accrue from the Corporation's objects and undertakings, in the communities of the Attawapiskat, Fort Albany, and Kashechewan, First Nations and elsewhere.'

- 15.1.2 The FNEI annual budgeted expenditures for donations shall be approved by motion of the Board of Directors, as identified in the Ontario Energy Board approved revenue allocation.
- 15.1.3 In order to adhere to the objects of the Corporation, the Board of Directors will review the goals and objectives of the donation policy on an annual basis and set guidelines for the following year's discretionary support. The Board of Directors will also review their long term commitments annually and reaffirm their support for them.
- 15.1.4 The Chief Executive Officer of FNEI will administer the donation policy as per guidelines set by the FNEI Board of Directors.
- 15.1.5 FNEI will contribute up to a maximum of \$1,500.00 per instance for projects that meet the guidelines provided there are funds remaining within the approved budget. A request over and above \$1,500 will be granted on a one-time basis only, and only if the request meets the Community objectives, and that there are sufficient funds remaining the the approved budget.
- 15.1.6 The request for funding must reflect the direction as set by the Board of Directors of FNEI for discretionary support, and will identify monies available for donation and will also identify what funds are remaining in the communication budget.
- 15.1.7 Any organization that receives sponsorship must be willing to sign a contract that stipulates that FNEI is indemnified against any proceedings that may happen against the organization.
- 15.1.8 Organizations must publicly acknowledge that they have received support from FNEI.
- 15.1.9 The organization must prepare and submit a report to FNEI on the event or activity that was sponsored.
- 15.1.10 Apart from the annual FNEI Scholarship, FNEI will not provide donations to individuals, only groups or organizations. FNEI will attempt to support both male and female activities and events equally.

15.1.11 Applications for funding must originate and be of benefit to organizations and/or groups from the following communities:

- a. Attawapiskat
- b. Kashechewan
- c. Fort Albany
- d. Moose Cree
- e. Taykwa Tagamou Nation

15.1.12 Any other provision at the relevant time that FNEI thinks should be included that would protect FNEI's interests, recognize FNEI's contribution, and/or otherwise ensure the furtherance of FNEI's objectives.

15.2 Scholarship Fund

15.2.1 FNEI will provide an annual scholarship of two thousand dollars (\$2,000) to a student nominated by the following entities:

- a. Attawapiskat Education Authority
- b. Hishkoonikun Education Authority (Kashechewan)
- c. Mundo Peetabeck Education Authority (Fort Albany)
- d. Northern Lights Secondary School (Moosonee)
- e. Moose Cree Education Authority
- f. Taykwa Tagamou Nation

15.2.2 In order to be considered for the FNEI scholarship, interested students should:

- a. Make an application to their respective Education Authority;
- b. Have achieved a 75% average or greater in the previous semester;
- c. Pursue a post-secondary education in a technical field

15.2.3 In order for a potential scholarship recipient to be considered by FNEI, each Education Authority must submit their recommendations for the scholarship to FNEI by May 31st each year. Students, including mature students, graduating from high school or upgrading and attending college or university are eligible for the FNEI scholarship.

15.2.4 Scholarships will be paid out in September, once proof of enrollment in a post secondary institution in a technical field by the scholarship winner is provided to FNEI.

15.3 CreeFest Annual Contribution

15.3.1 An annual contribution of \$10,000 will be donated to the Omushkego Creefest, as per the resolution passed by the Board of Directors at their June 24, 2003, meeting as follows:

“A motion to donate \$10,000 annually to the Omushkego Cree Fest was moved by Chief Hall, and seconded by William Sutherland. All were in favour and the motion carried.”

16 Affiliates Relationship Code (Ontario Energy Board)

16.1.1 The purpose of the Affiliates Relationship Code is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies.

16.1.2 FNEI will comply with the Affiliates Relationship Code in its dealings with the three Local Distribution Corporations and any other potential affiliates.

Exhibit 1, Tab 2, Schedule 1

Summary of the Application

SUMMARY OF THE APPLICATION

1.0 Introduction

This transmission rate application (the “Application”) filed by Five Nations Energy Inc. (“FNEI”) is based on a 2010 test year. FNEI requires that the existing transmission rates be made interim, with proposed rates effective as of January 1, 2010 and implementation at a later date. FNEI is applying for rates that will allow FNEI to recover its forecast 2010 revenue requirement in the amount of \$6,466,100. FNEI represents such a small portion of the provincial transmission revenue requirement, that the approval of FNEI’s applied-for revenue requirement would not result in any increase in the Uniform Transmission Rates.

FNEI is a non-profit, non-share capital, federally-incorporated corporation with its head office in Moose Factory, Ontario, and main operational office located in Timmins, Ontario. FNEI is a licensed transmitter of electricity in Ontario (ET-2003-0074), owning and operating transmission facilities along the western coast of James Bay. FNEI was incorporated in 1997 by the three First Nation communities of Attawapiskat, Fort Albany and Kashechewan (located along the western shore of James Bay). The three members¹ of FNEI are the Attawapiskat Power Corporation, the Fort Albany Power Corporation and the Kashechewan Power Corporation, each of which in turn is controlled by its respective First Nation. FNEI’s Board of Directors contains representation from not only its three owner First Nations, but also has representation from

¹ As a non-share capital corporation, FNEI has “members” as opposed to “shareholders”.

1 Moose Cree First Nation and Taykwa Tagamou First Nation (because FNEI's assets pass
2 through the traditional territories of these two First Nations).

3 Prior to FNEI's coming into service in 2001, all three communities were electrically remote
4 because the provincial transmission grid extended only as far north as Moosonee, Ontario (at the
5 southern tip of James Bay). Each of the three First Nations was serviced by a localized
6 electricity distribution system powered by a diesel generation plant. Hydro One Remote
7 Communities Inc. ("HORCI") operated the diesel generation plants and local distribution
8 systems in each of the three communities. The FNEI project conceived in the mid-1990s had
9 two components: (a) to extend the provincial transmission grid north from Moosonee to
10 Attawapiskat in order to connect the three remote communities to the provincial transmission
11 grid; and (b) to transfer the electricity distribution system in each community from HORCI to
12 local, First Nation-owned distribution companies. The entire project was conceived of and
13 implemented by the three First Nations, through a mix of public- and private-sector financing.
14 Construction of the entire line was not completed until March 2002, but the communities of Fort
15 Albany and Attawapiskat were connected in November and December 2001. Attawapiskat was
16 energized in December 2003.

17 FNEI's initial rate application was filed in 2001 (RP-2001-0036), with the hearing of evidence
18 completed on January 29, 2002. The Board rendered its decision on April 24, 2002. FNEI has
19 not been before this Board with a new rate application since this initial application.

In preparing this Application, FNEI has organized and filed its materials in accordance with Chapter 2 of the Board's *Filing Requirements for Transmission and Distribution Applications* dated May 27, 2009.

In the remainder of this Schedule, FNEI identifies the key aspects of this Application that the Board should consider, and sets out a general overview of the Application.

2.0 Key Aspects

In considering this Application, FNEI believes that it is important for the Board to be mindful of the following:

- Length of Time Since Last Proceeding: FNEI's only other rate application was made prior to the completion of construction and prior to energizing FNEI's system. The data used to support FNEI's initial rate application was based on best estimates, not on any historical information. This was true not only of the capital and operating costs but also load forecasts. The three communities connected to FNEI were all served by HORCI, along with nearly twenty other remote communities. Unfortunately, HORCI only maintained aggregated usage data, and not data for each individual community. FNEI now has eight years of operational and financial experience, and much better historical data to support this Application's evidence.

Although FNEI has better data on which to base this Application, FNEI's first eight years of operations involved significantly more capital work than FNEI foresaw in 2001. Certain capital work was foreseen in 2001; in particular, putting stand-by transformers on potential in the three communities (which was not essential to get the system electrified and serving Fort Albany, Kashechewan and Attawapiskat eight years ago, but which is important). However, other capital work was not foreseen – including the capital work related to the connection of a fourth customer to FNEI's system (De Beers Canada Inc's Victor Diamond Mine). Barring any other significant new customer, now that the bulk of FNEI's major planned expenditures are completed, FNEI expects there to be less capital work in the short- to medium-term than there has been in FNEI's first eight years of operation.

- FNEI's Non-Profit Status: A fulsome discussion of this issue is found at Exhibit 1, Tab 1, Schedule 13 (Status of Board Directives).

- 1 • Small Size of Corporation: FNEI is not a large corporation, and as a result, has typically
2 not been able to justify hiring employees in certain areas (e.g., in-house regulatory or
3 accounting expertise). Consequently, much of FNEI's operations are supported by
4 external consultants. This is not only due to FNEI's small size, but also the history of
5 FNEI. When originally conceived by the three First Nation communities in the early
6 1990s, the three First Nations retained engineering, regulatory and management
7 consultants to plan and develop the project. Many of these consultants carried on with
8 FNEI subsequent to the transmission line being electrified in late 2001. It was always the
9 intent of FNEI (once some operating experience had been gained) to move some of the
10 tasks being carried on by external consultants "in-house" at FNEI. However, not long
11 after coming into service, the De Beers Victor Diamond Mine project materialized and a
12 significant amount of FNEI's resources were directed at ensuring the timely completion
13 of the upgrades and connection for this important new customers. With the work related
14 to the Victor Mine mostly complete, it is only recently that FNEI has embarked upon the
15 bringing that external work "in-house". This is reflected in the Numerical Summary of
16 Operations, Maintenance and Administration (Exhibit 4, Tab 2, Schedule 3), which
17 shows declining external services employed and increasing internal salaries and
18 expenses. The extent to which these external services could be incorporated into FNEI
19 (given its small size) is not yet entirely clear but this will be an organizational priority in
20 the near term.
- 21 • Geographic Area of FNEI's Assets: FNEI's assets run along the west coast of James
22 Bay, a vast swampy plain (i.e., muskeg) that is not serviced by road or rail (with the
23 exception of a winter ice road which is operational a few weeks each winter). The
24 remoteness, harsh climate and difficult physical geography of the region means that the
25 cost of doing business for FNEI is more expensive than if the assets could be more easily
26 accessed. This includes not only the physical work (e.g., inspection, maintenance,
27 vegetation management, repairs, etc.), but also the work of the Board of Directors and its
28 Committees (which involve flights from or to the remote communities).

29 3.0 Overview

30 3.1 Rate Base

31 FNEI's rate base for 2010 is forecasted to be \$28.688 million, being the average of the net fixed
32 assets (\$28.180 million) and allowance for working capital (\$0.508). This represents a slight
33 increase in the Board-approved rate base from RP-2001-0036 (which was \$25.439 million).
34 However, these two figures on their own do not reflect the evolution of FNEI's asset base. As
35 noted in Exhibit 2, Tab 1, Schedule 2 (Numerical Summary of Rate Base), FNEI's rate base

1 decreased dramatically in the first few years of operations (to a low of \$10.042 million in 2005)
2 before gradually increasing to \$18.020 million in 2009. There is then a significant increase in
3 rate base for the 2010 test year.

4 The significant decrease in rate base from 2001 to 2005 was not due to assets coming out of
5 service, but rather was due to FNEI receiving funds from the Department of Indian Affairs and
6 Northern Development pursuant to the terms of a Multi-Year Funding Agreement. Funds
7 received by FNEI were used to pay down FNEI's private-sector debt financing (\$12 million to
8 each of Bank of Montreal and Pacific & Western, and \$2 million to SNC Lavalin). Due to the
9 fact that the Multi-Year Funding Agreement was not a loan (i.e., was not in the nature of a
10 grant), FNEI's rate base had to be reduced by the amount of funds received under the Multi-Year
11 Funding Agreement. However, over the period from 2001 to 2009, FNEI did make substantial
12 capital additions. The largest of these is the fibre-optic project (detailed in the Rate Base
13 Overview at Exhibit 2, Tab 1, Schedule 1), which was fully in service by the end of 2009. This
14 accounts for the significant increase in rate base in the 2010 test year.

15 **3.2 OM&A Expenses**

16 FNEI's OM&A expenses are estimated to be \$3.386 million for 2010. This is a significant
17 increase over the Board-approved OM&A costs (RP-2001-0036) of \$1.899 million and the actual
18 eight-year low of \$1.821 million in 2004. However, it is nearly the same as FNEI's actual 2002
19 OM&A expenses of \$3.355 million. Explanations of the year-over-year variances are set out in
20 detail in Exhibit 4, Tab 2, Schedule 2. Part of the increase in the 2010 test year is associated
21 with having to operate and maintain significant additional assets.

Operations: FNEI's main operations expenses are those incurred under Account 4810 (Load Dispatching), Account 4815 (Station Buildings and Fixtures Expenses), and Account 4820 (Transformer Station Equipment – Operating Labour). In the 2010 test year, the amounts in these three accounts total \$0.532 million.

Maintenance: FNEI's maintenance expenses are primarily made up of those in Account 4916 (Maintenance of Transformer Station Equipment) and Account 4930 (Maintenance of Towers, Poles & Fixtures). In the 2010 test year, the amounts in these two accounts total \$0.468 million.

Administration: FNEI's administration expenses are made up primarily of those in Account 5605 (Executive Salaries and Expenses), Account 5610 (Management Salaries and Expenses), Account 5630 (Outside Services Employed) and Account 5655 (Regulatory Expenses). In the 2010 test year, the amounts in these four accounts total \$1.719 million.

3.3 Operating Revenue

FNEI is forecasting operating revenue of \$5.078 million for 2010, consisting almost entirely of transmission service revenue from the IESO. Variances in transmission service revenue are driven primarily by variations in the provincial peak loads from year to year. In past years, interest income had accounted for material amounts of revenue, but given low interest rates, FNEI is not projecting substantial interest revenue.

3.4 Cost of Capital

FNEI is proposing a capital structure of 60% debt and 40% equity, based on the Board's deemed structure. FNEI has used the Board-approved return on equity ("ROE") of 9.85% for its 2010

test year. GLPL's 2006 cost of capital of \$16.4533 million (Exhibit E, Tab 1, Schedule 1), and a provision for income taxes in the amount of \$4.2321 million (Exhibit C, Tab 1, Schedule 2).

With respect to debt, FNEI has a Credit Agreement with Manulife and Pacific & Western Bank ("PWB") which provides FNEI with a term credit facility of up to \$11 million (at 5.5%), and an operating facility of up to \$500,000 (at prime plus 2.5%). FNEI also has a \$500,000 operating line with its bank, the Bank of Montreal. FNEI also has an interest-free loan from the Northern Ontario Heritage Fund Corporation ("NOHFC") which dates back to the initial development stage of the FNEI project. The loan is interest-free until October 2010, after which interest at 4% commences.

FNEI's total cost of capital, described in Exhibit 5, Tab 1, Schedule 1, is \$1.893 million.

3.5 Deferral and Variance Accounts

FNEI has no deferral or variance accounts, but is requesting one deferral account as part of this Application. FNEI's proposed deferral account would record the revenue requirement deficiencies incurred from January 1, 2010 until FNEI's proposed 2010 revenue requirement is approved by the Board. The deferral account will be updated monthly and interest will be applied consistent with Board-approved rates.

3.6 Rate Design and Rates

FNEI's evidence with respect to charge determinant forecasting and the calculation of uniform transmission rates is set out at Exhibit 8, Tab 2, Schedules 1 through 3. In calculating Uniform Transmission Rates, FNEI has used the revenue requirement applied for in this Application (i.e., \$6.466 million). As demonstrated in Exhibit 8, Tab 2, Schedule 1, FNEI's application does

1 not result in any change to the current 2010 Uniform Transmission Rates (established by EB-
2 2008-0272). The Revenue Allocators would, however, change modestly. FNEI's calculation of
3 the Uniform Transmission Rates (based on the revenue requirement applied for in this
4 Application) does not take into account changes being sought by other Ontario transmitters (e.g.,
5 by Great Lakes Power Transmission Inc. in EB-2009-0408).

6

Exhibit 1, Tab 2, Schedule 2

Budget Overview

1 **BUDGET OVERVIEW (CAPITAL AND OPERATING)**

2 **1.0 Operations and Administration**

3 FNEI prepares its annual operations and administration budget to a large extent by reviewing
4 historical costs, with input from internal and external resources (as required). Budget items are
5 adjusted based upon what is known about the coming year's expenditures.

6 Preparation of the budget is the responsibility of the CEO. It is discussed at the Board of
7 Director level.

8 **2.0 Capital and Maintenance Budget**

9 FNEI's capital and maintenance budget is prepared based on information gathered through the
10 implementation of the asset management plan, which is described at Exhibit 2, Tab 5,
11 Schedule 1. Information is gathered through ongoing inspections, testing and asset condition
12 assessments carried out by FNEI's internal and external technical experts. This information is
13 reviewed in light of required and available resources, essential maintenance/expansion activities,
14 in addition to being compared to historical spending patterns. The focus of the maintenance
15 budget is to maximize the operational life of FNEI's existing assets in service, in addition to
16 complying with the industry reliability standards. FNEI's capital improvements and expansions
17 are made in accordance with a process aimed at identifying and prioritizing asset additions that
18 are required to improve service, attach new customers, or meet existing requirements more
19 efficiently or safely.

1 **3.0 Economic Assumptions Used**

2 Because FNEI uses what is essentially a “bottom-up” approach to prepare its operating budget,
3 FNEI makes no significant economic assumptions. However, FNEI uses a conservative
4 forecasting model to protect against unforeseen reductions in revenues.

Exhibit 1, Tab 2, Schedule 3

Methodology and Changes to Methodology

1 **METHODOLOGY AND CHANGES TO METHODOLOGY**

2 **1.0 Introduction**

3 FNEI has made no changes to its methodology as compared to the methodology used in RP-
4 2001-0036 application by FNEI (the “2001 Application”). In addition, FNEI continues to follow
5 the Board’s Uniform System of Accounts, and the information requirements set out in the
6 Board’s *Filing Requirements for Transmission and Distribution Applications* (as issued May 27,
7 2009).

8 **2.0 Capitalization**

9 The only unique aspect of FNEI’s budgeting methodology relates to the capitalization of some
10 assets during construction. Certain assets with immediate and ongoing value, such as berms and
11 transformer energization projects, are capitalized as they are constructed, rather than upon
12 completion of the project.

Exhibit 1, Tab 2, Schedule 4

Calculation of Transmission Revenue Requirement

FIVE NATIONS ENERGY INC.

Calculation of Transmission Revenue Requirement
(\$000's)

	<u>Board Approved</u> <u>RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operation, Maintenance & Admin	1,898.5	3,354.6	2,562.8	1,820.9	2,411.5	2,519.7	2,791.5	2,250.9	2,802.5	3,386.1
Depreciation & Amortization	1,100.6	561.0	567.0	444.0	447.1	516.4	582.9	645.2	775.6	1,187.4
Interest on Debt	922.2	563.9	529.6	380.9	364.0	414.8	463.1	548.5	653.2	762.3
Return on Equity	<u>1,256.7</u>	<u>768.4</u>	<u>721.7</u>	<u>519.1</u>	<u>496.1</u>	<u>565.2</u>	<u>631.1</u>	<u>747.5</u>	<u>890.2</u>	<u>1,130.3</u>
Total Transmission Revenue Requirement	5,178.0	5,247.9	4,381.0	3,165.0	3,718.7	4,016.1	4,468.5	4,192.1	5,121.5	6,466.1

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 1, Tab 2, Schedule 5

Numerical Description of the Deficiency/Sufficiency

FIVE NATIONS ENERGY INC.

Numerical Description of Deficiency/Sufficiency in 2010

<u>Change In Rate Base</u>	<u>Reference</u>	<u>(\$'s)</u>	<u>Deficiency (Increase)/ Decrease</u>
2010 Test Year	E2.T1.S2	\$28,688,126	
RP-2001-0035 Board Approved	E2.T1.S2	<u>\$25,439,025</u>	
Increase in Rate Base		\$3,249,101	
RP-2001-0035 Approved Rate of Return	E5.T1.S2 @	8.57%	(\$278,285)
<u>Change in Rate of Return</u>			
2010 Test Year Requested Rate of Return	E5.T1.S2	6.60%	
RP-2001-0035 Approved Rate of Return	E5.T1.S2	<u>8.57%</u>	
Change in Rate of Return		-1.97%	
2010 Test Year Rate Base	E2.T1.S2 @	\$28,688,126	\$564,554
<u>Change in Utility Net Income</u>			
2010 Test Year	E6.T1.S1	\$504,425	
RP-2001-0035 Board Approved	E6.T1.S1	<u>\$2,178,900</u>	
Change in Utility Income		(\$1,674,475)	<u>(\$1,674,475)</u>
Sub-Total			(\$1,388,206)
Rounding Adjustment			<u>\$47</u>
Net Revenue (Deficiency)/Sufficiency			(\$1,388,160)
Gross Revenue (Deficiency)/Sufficiency	E6.T1.S1		(\$1,388,160)

FIVE NATIONS ENERGY INC.

Numerical Description of Deficiency/Sufficiency in 2010

	<u>Reference</u>	<u>(\$'s)</u>	<u>(\$'s)</u>
<u>Cost of Capital</u>			
Rate Base	E2.T1.S2	\$28,688,126	
Requested Rate of Return	E5.T1.S2	6.60%	\$1,892,584
<u>Cost of Service</u>			
Operations, Maintenance & Admin	E4.T1.S1	\$3,386,148	
Depreciation & Amortization	E4.T1.S1	\$1,187,427	\$4,573,575
<u>Operating Revenue</u>			
Transmission Revenue	E3.T1.S2	\$4,978,000	
Net Revenues from Merchandising, Jobbing, Etc.	E3.T1.S2	\$100,000	<u>(\$5,078,000)</u>
Sub-Total			\$1,388,160
Rounding Adjustment			<u>\$0</u>
Gross Revenue (Deficiency)/Sufficiency	E6.T1.S1		(\$1,388,160)

Exhibit 1, Tab 3, Schedule 1

Audited Financial Statements (2002 – 2008)
Unaudited Financial Statements (2009)

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 & 2001



Ross, Pope & Company

Chartered Accountants

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AUDITORS' REPORT

To the Board of Directors of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2002 and the statements of income, utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and the results of its operations and the cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company

Timmins, Ontario
March 11, 2003

**ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS**

FIVE NATIONS ENERGY INC.

BALANCE SHEET

AS AT DECEMBER 31

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,743,111	\$ 1,400,749
Accounts receivable	552,151	968,696
Mobilization fee deposit (Note 3)	-	728,661
Prepaid expenses	-	285,847
	2,295,262	3,383,953
SECURITY DEPOSIT - ONTARIO POWER GENERATION	-	300,000
DEVELOPMENT COSTS (Notes 1 & 2)	-	8,387,496
CAPITAL ASSETS (Notes 1 & 4)	20,991,082	26,468,324
	\$ 23,286,344	\$ 38,539,773
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,886,148	\$ 178,407
Holdback payable	748,262	-
Current portion of development costs financing	4,732,585	6,750,715
	10,366,995	6,929,122
DUE TO RELATED PARTIES (Note 5)	60,262	1,212,609
LONG-TERM DEBT (Note 6)	12,840,711	24,441,326
DEFERRED REVENUE (Note 7)	-	6,000,000
	23,267,968	38,583,057
UTILITY EQUITY (DEFICIT)	18,376	(43,284)
	\$ 23,286,344	\$ 38,539,773

Contingencies (Note 10)

Approved by:

See accompanying notes.

FIVE NATIONS ENERGY INC.

STATEMENT OF INCOME AND UTILITY EQUITY

YEARS ENDED DECEMBER 31

	2002	2001
REVENUE (Note 5)		
Energy sales for resale	\$ 494,943	\$ 159,485
Transmission services revenue	5,169,052	351,200
	5,663,995	510,685
ENERGY PURCHASED	494,943	149,914
GROSS PROFIT	5,169,052	360,771
EXPENSES		
Amortization	560,977	154,567
Bad debts	904,322	-
Board of directors	78,165	32,336
Insurance	442,048	34,712
Interest on long-term debt	1,193,073	-
Maintenance	454,424	11,592
Market readiness	706,999	-
Office and other	76,431	12,499
Outside services	386,419	59,778
Regulatory expenses	81,259	54,451
Salaries and benefits	144,424	21,741
Travel	80,155	24,879
	5,108,696	406,555
INCOME (LOSS) BEFORE UNDERNOTED	60,356	(45,784)
INTEREST INCOME	1,304	2,500
NET INCOME (LOSS)	61,660	(43,284)
DEFICIT, beginning of year	(43,284)	-
UTILITY EQUITY (DEFICIT), end of year	\$ 18,376	\$ (43,284)

See accompanying notes.

FIVE NATIONS ENERGY INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2002	2001
OPERATING ACTIVITIES		
NET INCOME (LOSS)	\$ 61,660	\$ (43,284)
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	560,977	154,567
DECREASE (INCREASE) IN:		
Accounts receivable	416,545	849,310
Mobilization fee deposit	728,661	228,334
Funding receivable from Indian and Northern Affairs Canada	-	9,565,200
Prepaid expenses	285,847	(285,847)
Deposit	300,000	(300,000)
INCREASE (DECREASE) IN:		
Accounts payable	4,707,741	178,408
Holdback payable	748,262	-
Deferred revenue	(6,000,000)	5,000,000
CASH PROVIDED BY OPERATING ACTIVITIES	1,809,693	15,346,688
FINANCING ACTIVITIES		
Advances from (to) related parties (net)	(1,152,347)	1,085,141
Change in long-term debt	(13,618,745)	(12,721,724)
CASH USED IN FINANCING ACTIVITIES	(14,771,092)	(11,636,583)
INVESTING ACTIVITIES		
Net reductions to development costs	8,387,496	21,615,524
Proceeds on sale of capital assets	8,400,000	-
Additions to capital assets (net of contributions in aid)	(3,483,735)	(26,590,820)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	13,303,761	(4,975,296)
CHANGE IN CASH	342,362	(1,265,191)
CASH, beginning of year	1,400,749	2,665,940
CASH, end of year	\$ 1,743,111	\$ 1,400,749

See accompanying notes.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 & 2001

NATURE OF BUSINESS

The company recently completed construction of an electricity transmission line from Moosonee to three First Nation communities, Attawapiskat, Kashechewan and Fort Albany, Ontario, and currently manages the transmission of electricity on the line. Portions of the transmission line were energized in November and December 2001. The final segment of transmission line between Kashechewan and Attawapiskat, while ready for use remains unenergized. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook". The accrual basis of accounting is followed for all revenue and expenses.

(b) GOING CONCERN ASSUMPTION

The financial statements have been prepared on the going concern basis, which presumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and investments, with original maturities of less than 90 days.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(e) FUNDING RECOGNITION

The company recognizes funding on the accrual basis in the period in which it is awarded.

(f) DEVELOPMENT COSTS

The company defers costs incurred in the construction of the transmission line and has done so in accordance with Canadian generally accepted accounting principles for utilities. Accumulated costs are charged to capital asset accounts as the transmission line is completed and ready for use. Amortization is recorded over the estimated useful life of the assets.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2002 & 2001

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) FINANCIAL INSTRUMENTS

The carrying value of all the company's financial instruments included in the working capital approximates their fair value since these instruments have short-term maturity dates. Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of cash and accounts receivable. The company places its cash with high credit quality financial institutions. The fair values of long-term debt are determined using market values for similar instruments.

(h) CAPITAL ASSETS AND AMORTIZATION

All capital assets are recorded at cost. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Automotive equipment	5 years
Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors and devices	25 years
Other equipment	5 years

(i) CONTRIBUTIONS IN AID OF CONSTRUCTION

Funding received specifically for the construction of assets is credited to development costs in accordance with Canadian generally accepted accounting principles for utilities.

2. DEVELOPMENT COSTS

	Balance 2001	Incurred during year	In service during year	Balance 2002
Station equipment	\$ 2,572,316	\$ 376,621	\$ (2,948,937)	\$ -
Poles and fixtures	6,355,705	3,360,837	(9,716,542)	-
Overhead conductors and devices	2,118,568	1,120,279	(3,238,847)	-
Construction work in progress	1,038,801	1,444,530	(2,483,331)	-
Total development cost expenditures	12,085,390	6,302,267	(18,387,657)	-
Contributions in aid of construction - INAC	(3,697,894)	(11,237,168)	14,935,062	-
Closing net development costs	\$ 8,387,496	\$ (4,934,901)	\$ (3,452,595)	\$ -

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2002 & 2001

3. MOBILIZATION FEE DEPOSIT

The company paid a mobilization fee deposit prior to commencement of construction which was drawn down by amounts equal to 15% of project billings. The deposit was drawn down to nil prior to the year end.

4. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET 2002	2001
Automotive equipment	\$ 32,071	\$ 11,230	\$ 20,841	\$ 27,260
Station equipment	5,252,048	122,695	5,129,353	7,892,201
Poles and fixtures	12,202,452	354,190	11,848,262	13,895,982
Overhead conductors and devices	4,067,484	118,067	3,949,417	4,631,994
Other equipment	52,875	9,666	43,209	20,887
	\$ 21,606,930	\$ 615,848	\$ 20,991,082	\$ 26,468,324

5. RELATED PARTY TRANSACTIONS

During the year, the company paid to Mushkegowuk Council, a related party by virtue of significant influence, administrative fees in the amount of \$34,000 (nine months ended December 31, 2001 - \$36,000) pursuant to an agreement. The Mushkegowuk Council provided administrative, accounting, payroll, accounts payable and banking services for the company. Expenditures paid by Mushkegowuk Council on behalf of the company are due on a regular basis. Balances unpaid are disclosed as "Due to Related Parties" on the balance sheet. This agreement was terminated effective August 31, 2002 and replaced with a payroll services contract.

The company is related to the individual First Nations' power corporations by virtue of significant influence. All revenue of the company prior to May 1, 2002 was comprised of charges to these First Nation power corporations.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2002 & 2001

6. LONG-TERM DEBT

	2002	2001
Bank of Montreal loan payable bearing interest at 6.76%, secured by a general security agreement, repayable in accordance with a schedule, maturing April 2004.	\$ 3,747,465	\$ 8,833,858
Pacific & Western Public Sector Financing Corp. loan payable bearing interest at 6.76%, secured by a general security agreement, repayable in accordance with a schedule, maturing April 2004.	3,747,435	8,833,858
Pacific & Western Public Sector Financing Corp. loan payable bearing interest at 7.15%, secured by a general security agreement, repayable in blended monthly payments of \$51,391, maturing December 2009.	3,400,000	-
SNC Lavalin term loan payable bearing interest of 13% payable monthly plus a \$20,000 annual fee, secured by a general security agreement subordinate to Bank of Montreal and Pacific & Western Public Sector Financing Corp, repayable in quarterly instalments of \$50,000, maturing April 2012.	1,900,000	-
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing unless default occurs, whereby interest will be charged at the bank prime rate plus 2%. The loan is repayable in accordance with an annual instalment schedule that commences on October 15, 2006 for a term of four years. The total available financing of \$4,900,000 from this institution was drawn subsequent to December 31, 2002.	4,778,396	3,218,284
Construction payables and accrued liabilities	-	8,877,895
Construction holdback payable	-	1,428,146
	17,573,296	31,192,041
Less: Current portion (net of advances)	4,732,585	6,750,715
	\$ 12,840,711	\$ 24,441,326

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2002 & 2001

6. LONG-TERM DEBT (CONT'D)

Principal payments due within the next five years are as follows:

2003	\$ 4,732,585
2004	\$ 3,848,180
2005	\$ 648,325
2006	\$ 925,953
2007	\$ 960,956

Construction payables and accrued liabilities and construction holdbacks payable, previously disclosed along with the drawn-down amounts of long-term debt related to the project under the heading "Development Costs Financing", have been reclassified as accounts payable and holdbacks payable pursuant to substantial completion of the project. The balance of Development Costs Financing has been reclassified as Long-term Debt.

At December 31, 2002, the company was in violation of certain financial covenants with the Bank of Montreal and Pacific and Western Public Sector Financing Corp. Management received waivers of these covenants from the respective financial institutions for the period of construction. Covenants relating to the period thereafter are the subject of further negotiations.

7. DEFERRED REVENUE

The company has negotiated the terms of sale of 80 kilometres of transmission line to Hydro One Networks Inc. The company received a deposit of \$6,000,000 from Hydro One Networks Inc. relating to this transaction. Total proceeds from the sale are expected to be \$11,000,000. On or about February 26, 2002, 56 kilometres of transmission line and the Moosonee Tapping Station were sold for \$8,400,000 with the deposit being applied thereto. The sale of the remaining 24 kilometres will be completed after the energization of the section of line to Attawapiskat.

8. COMMITMENTS

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring August 2006. Under the agreement, the company is obligated to make minimum annual payments of \$79,238.

Based on a funding agreement with Indian and Northern Affairs Canada, the company is eligible to receive approximately \$7,052,000 of future funding to aid in the construction of assets. The funds are to be received in 2003 and 2004 in accordance with a payment schedule set out in the agreement. Additional funding has been approved up to \$4,997,478 for project costs related to market readiness. Subsequent to December 31, 2002, \$3,846,311 of this additional funding was received. As a term of the funding agreement certain end user customers funded by Indian and Northern Affairs Canada shall be eligible for rebates representing the portion of the transmission rate attributable to the cost of capital. At December 31, 2002 the amount of the potential rebate was not determinable.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2002 & 2001

9. SUBSEQUENT EVENTS

On January 1, 2003, insurance coverage on the transmission line expired. The company has been unable to renew this insurance at commercially reasonable rates. The failure to secure transmission line insurance by the company constitutes an event of default under the credit agreement between Bank of Montreal, Pacific & Western Public Sector Financing Corp., (collectively the senior lenders), SNC Lavalin Inc. and the company.

On February 24, 2003, the company and the senior lenders entered into an agreement whereby the company would establish an insurance reserve in the amount of \$1,500,000 dollars as well as make ongoing deposits to the insurance reserve as per a draft backstop arrangement between the company and Hydro One Networks Inc. noted below. Upon the backstop arrangement going into effect, the company would be able to reduce the insurance reserve amount by \$1,000,000. The senior lenders have in turn agreed that this arrangement shall constitute sufficient transmission line insurance and have waived the related event of default.

On March 1, 2003, the company and Hydro One Networks Inc. entered into an insurance backstop agreement. As a condition of the agreement the company has committed to immediately place \$500,000 dollars into the insurance reserve. In addition, semi-annual deposits into the insurance reserve of \$430,500 are required. Upon certain events occurring between Hydro One Networks Inc. and a third party and in consideration of an annual fee of \$125,000, Hydro One Networks Inc. has agreed that in the event the company is not able to fully meet its financial requirements associated with an insurance loss, Hydro One Networks Inc. would pay the difference between the amount of the loss and the amount in the company's insurance reserve. The company would be obligated to repay Hydro One Networks Inc. the amount, however the total of repayments and insurance reserve deposits cannot exceed \$430,500 semi-annually. This arrangement will remain in place until such time as the company has accumulated \$5,000,000 in its insurance reserve.

10. CONTINGENCIES

SNC Lavalin Inc., the contractor of the transmission line, has submitted claims to the company for certain change orders and additional work totaling \$617,186. Company management believes that substantially all of the items are included in the contract specifications and as such are not payable. No amount has been set up in these financial statements to reflect this amount. Any settlements will be recorded in the period in which they occur.

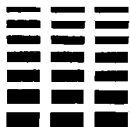
11. COMPARATIVE FIGURES

Certain prior year figures have been restated to conform with current year presentation. The 2001 statement of loss reflects operations from the time the Moosonee to Fort Albany segment of line was energized to December 31, 2001.

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 & 2002



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Chartered Accountants



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AUDITORS' REPORT

To the Board of Directors of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2003 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and the results of its operations and the cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company

Timmins, Ontario
February 13, 2004

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

FIVE NATIONS ENERGY INC.

BALANCE SHEET

AS AT DECEMBER 31

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,293,275	\$ 1,743,111
Accounts receivable	614,328	552,151
Prepaid expenses	105,067	-
	2,012,670	2,295,262
RESTRICTED TERM DEPOSITS (Note 5)	930,500	-
CAPITAL ASSETS (Notes 1 & 2)	12,726,156	20,991,082
	\$ 15,669,326	\$ 23,286,344
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,144,028	\$ 4,886,148
Holdback payable	-	748,262
Current portion of development costs financing	3,848,283	4,732,585
	4,992,311	10,366,995
DUE TO RELATED PARTIES (Note 4)	20,472	60,262
LONG-TERM DEBT (Note 3)	8,993,078	12,840,711
	14,005,861	23,267,968
EQUITY IN INSURANCE RESERVE (Notes 1 & 5)	930,500	-
UTILITY EQUITY	732,965	18,376
	\$ 15,669,326	\$ 23,286,344

Commitments (Note 5)

Approved by:

See accompanying notes.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

STATEMENT OF INCOME AND UTILITY EQUITY

YEARS ENDED DECEMBER 31

	2003	2002
REVENUE		
Transmission services revenue	\$ 5,459,460	\$ 5,169,052
Energy sales for resale	-	494,943
Miscellaneous revenue	51,029	-
	5,510,489	5,663,995
ENERGY PURCHASED	-	494,943
GROSS PROFIT	5,510,489	5,169,052
EXPENSES		
Amortization	567,015	560,977
Bad debts	73,201	904,322
Board of directors	118,576	78,165
Insurance	244,776	442,048
Interest on long-term debt	776,102	1,193,073
Maintenance	540,105	454,424
Market readiness	846,273	706,999
Office and other	132,601	76,431
Outside services	466,179	386,419
Regulatory expenses	1,194	81,259
Salaries and benefits	83,245	144,424
Travel	56,603	80,155
	3,905,870	5,108,696
INCOME BEFORE UNDERNOTED	1,604,619	60,356
INTEREST INCOME	40,470	1,304
APPROPRIATION TO INSURANCE RESERVE (NOTE 5)	(930,500)	-
NET INCOME	714,589	61,660
UTILITY EQUITY (DEFICIT), beginning of year	18,376	(43,284)
UTILITY EQUITY, end of year	\$ 732,965	\$ 18,376

See accompanying notes.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2003	2002
OPERATING ACTIVITIES		
NET INCOME	\$ 714,589	\$ 61,660
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	567,015	560,977
Appropriation to insurance reserves	930,500	-
DECREASE (INCREASE) IN:		
Accounts receivable	(62,177)	416,545
Mobilization fee deposit	-	728,661
Prepaid expenses	(105,067)	285,847
Deposit	-	300,000
INCREASE (DECREASE) IN:		
Accounts payable	(3,742,120)	4,707,740
Holdback payable	(748,262)	748,262
Deferred revenue	-	(6,000,000)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,445,522)	1,809,692
FINANCING ACTIVITIES		
Advances to related parties (net)	(39,789)	(1,152,347)
Repayment of long-term debt	(4,731,935)	(13,618,745)
CASH USED IN FINANCING ACTIVITIES	(4,771,724)	(14,771,092)
INVESTING ACTIVITIES		
Purchase of term deposits - restricted	(930,500)	-
Net reductions to development costs	-	8,387,497
Proceeds from sale of capital assets	-	8,400,000
Additions to capital assets	(631,401)	(14,720,903)
Contributions in aid of construction	8,329,311	11,237,168
CASH PROVIDED BY INVESTING ACTIVITIES	6,767,410	13,303,762
CHANGE IN CASH	(449,836)	342,362
CASH, beginning of year	1,743,111	1,400,749
CASH, end of year	\$ 1,293,275	\$ 1,743,111

See accompanying notes.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 & 2002

NATURE OF BUSINESS

The company recently completed construction of an electricity transmission line from Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario, and currently manages the transmission of electricity on the line. Portions of the transmission line were energized in November and December 2001. On December 3, 2003, the final segment of transmission line between Kashechewan and Attawapiskat was energized. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives from the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook". The accrual basis of accounting is followed for all revenue and expenses.

(b) GOING CONCERN ASSUMPTION

The financial statements have been prepared on the going concern basis, which presumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and investments, with original maturities of less than 90 days excluding investments designated for insurance reserve purposes.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(e) FINANCIAL INSTRUMENTS

The carrying value of all the company's financial instruments included in the working capital approximates their fair value since these instruments have short-term maturity dates. Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of cash, short and long term deposits and accounts receivable. The company places its cash with high credit quality financial institutions. The fair values of long-term debt are determined using market values for similar instruments.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2003 & 2002

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) FUNDING RECOGNITION

The company recognizes funding on the accrual basis in the period in which it is awarded.

(g) CAPITAL ASSETS AND AMORTIZATION

All capital assets are recorded at cost. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Automotive equipment	5 years
Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors	25 years
Other equipment	2 to 5 years

(h) CONTRIBUTIONS IN AID OF CONSTRUCTION

Funding received specifically for the construction of assets is credited to development costs in accordance with Canadian generally accepted accounting principles for utilities.

(i) RESERVE FUNDS

Certain amounts, as approved by the board of directors, are set aside in reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective fund when approved. Interest earned on reserve fund assets is recorded as revenue of utility operations.

2. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET 2003	2002
Automotive equipment	\$ 64,571	\$ 18,192	\$ 46,379	\$ 20,841
Station equipment	3,571,580	218,486	3,353,094	5,129,353
Poles and fixtures	7,638,327	690,974	6,947,353	11,848,262
Overhead conductors	2,546,132	230,327	2,315,805	3,949,417
Other equipment	88,410	24,885	63,525	43,209
	\$ 13,909,020	\$ 1,182,864	\$ 12,726,156	\$ 20,991,082

During the year the company received \$8,329,311 in federal government aid relating to the period of line construction. This amount was applied to reduce the cost of line equipment.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2003 & 2002

3. LONG-TERM DEBT

	2003	2002
Bank of Montreal loan payable bearing interest at 6.76%, secured by a general security agreement, repayable April 2004.	\$ 1,615,473	\$ 3,747,465
Pacific & Western Public Sector Financing Corp. loan payable bearing interest at 6.76%, secured by a general security agreement, repayable April 2004.	1,615,472	3,747,435
Pacific & Western Public Sector Financing Corp. loan payable bearing interest at 7.15%, secured by a general security agreement, repayable in blended monthly payments of \$51,391, maturing December 2009.	3,010,416	3,400,000
SNC Lavalin term loan payable bearing interest of 13% payable monthly plus a \$20,000 annual fee, secured by a general security agreement subordinate to Bank of Montreal and Pacific & Western Public Sector Financing Corp., repayable in quarterly instalments of \$50,000, maturing April 2012.	1,700,000	1,900,000
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing unless default occurs, whereby interest will be charged at the bank prime rate plus 2%, repayable in accordance with an annual instalment schedule that commences on October 15, 2006 for a term of four years.	4,900,000	4,778,396
	12,841,361	17,573,296
Less: Current portion (net of advances)	3,848,283	4,732,585
	\$ 8,993,078	\$12,840,711
Principal payments due within the next five years and thereafter are as follows:		
2004	\$	3,848,283
2005		648,311
2006		680,938
2007		960,939
2008		998,273
Thereafter		5,704,617
		\$ 12,841,361



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2003 & 2002

3. LONG-TERM DEBT (CONT'D)

At December 31, 2003, the company was in violation of certain financial covenants with the Bank of Montreal and Pacific and Western Public Sector Financing Corp. Management received waivers of these covenants from the respective financial institutions for the period of construction. Covenants relating to the period thereafter are the subject of further negotiations.

4. RELATED PARTY TRANSACTIONS

During the year, the company paid to Mushkegowuk Council, a related party by virtue of significant influence, administrative fees in the amount of \$6,000 (2002 - \$34,000). The Mushkegowuk Council provides payroll services for the company. Expenditures paid by Mushkegowuk Council on behalf of the company are due on a regular basis. Balances unpaid are disclosed as "Due to Related Parties" on the balance sheet. The services are provided pursuant to a payroll services contract executed in 2002.

The company is related to the Attawapiskat, Kashechewan and Fort Albany First Nations and their power corporations by virtue of significant influence.

Accounts receivable include the following amounts due from the First Nations and their power corporations for services in the regular course of business:

	2003	2002
Trade accounts receivable	\$ 1,074,801	\$ 919,500
Less: Allowance for doubtful accounts	977,522	904,322
	\$ 97,279	\$ 15,178

Accounts payable and accrued liabilities include \$2,940 (2002 - \$6,899) due to the First Nations and their power corporations for services in the regular course of business.

5. COMMITMENTS

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring August 2006. Under the agreement, the company is obligated to make minimum annual payments of \$79,238.

Based on a funding agreement with Indian and Northern Affairs Canada, the company is eligible to receive approximately \$2,738,000 of future funding to aid in the construction of assets. The funds are to be received in 2004 in accordance with a payment schedule set out in the agreement. As a term of the funding agreement, certain end user customers funded by Indian and Northern Affairs Canada will be eligible for rebates for the portion of the transmission rate attributable to the cost of capital. At December 31, 2003 the amount of the potential rebate was not determinable.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2003 & 2002

5. COMMITMENTS (CONT'D)

Additional Indian and Northern Affairs Canada funding has been approved up to \$4,997,478 for project costs related to market readiness. In February 2003, \$3,846,311 of this additional funding was received and applied to reduce the capital cost of the transmission assets.

On January 1, 2003, insurance coverage on the transmission line expired. The company has been unable to renew the insurance coverage at commercially reasonable rates. The failure to secure transmission line insurance by the company constitutes an event of default under the credit agreement between Bank of Montreal, Pacific & Western Public Sector Financing Corp. (collectively the senior lenders), SNC Lavalin Inc. and the company. The senior lenders have agreed that the backstop arrangement between the company and Hydro One Networks Inc., noted below, will constitute sufficient transmission line insurance and have waived the related event of default.

On March 1, 2003, the company and Hydro One Networks Inc. entered into an insurance backstop agreement which required the company to place \$500,000 dollars into the insurance reserve. In addition, semi-annual deposits into the insurance reserve of \$430,500 and an annual fee of \$125,000 are required. The agreement took effect in December 2003 upon energization of the final portion of the transmission line.

Hydro One Networks Inc. has agreed that in the event the company is not able to fully meet its financial requirements associated with an insurance loss, Hydro One Networks Inc. would pay the difference between the amount of the loss and the amount in the company's insurance reserve. The company would be obligated to repay Hydro One Networks Inc. the amount, however the total of repayments and insurance reserve deposits cannot exceed \$430,500 semi-annually. This arrangement will remain in place until such time as the company has accumulated \$5,000,000 in its insurance reserve.

6. COMPARATIVE FIGURES

Certain prior year figures have been restated to conform with current year presentation.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 & 2003



Ross, Pope & Company
Chartered Accountants



Ross, Pope & Company

Chartered Accountants

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DITORS' REPORT

To the Board of Directors of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2004 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and the results of its operations and the cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company

Timmins, Ontario
March 17, 2005

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

FIVE NATIONS ENERGY INC.

BALANCE SHEET

AS AT DECEMBER 31

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,389,010	\$ 1,293,275
Short-term deposits (Note 2)	700,000	-
Accounts receivable (Note 4)	994,526	614,328
Prepaid expenses	102,269	105,067
	3,185,805	2,012,670
RESTRICTED DEPOSITS (Notes 2 & 6)	1,791,500	930,500
CAPITAL ASSETS (Notes 1 & 3)	9,518,982	12,726,156
	\$ 14,496,287	\$ 15,669,326
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 719,433	\$ 1,164,500
Current portion of long-term debt (Note 5)	448,311	4,732,585
	1,167,744	5,897,085
LONG-TERM DEBT (Note 5)	7,044,767	8,108,776
	8,212,511	14,005,861
EQUITY IN INSURANCE RESERVE FUND (Notes 1 & 6)	1,791,500	930,500
EQUITY IN CAPITAL RESERVE (Note 1)	3,759,311	-
UTILITY EQUITY	732,965	732,965
	\$ 14,496,287	\$ 15,669,326

Commitments and contingencies (Note 6)

Approved by:

Director

Director



Ross, Pope & Company
Chartered Accountants

See accompanying notes

FIVE NATIONS ENERGY INC.

STATEMENT OF INCOME AND UTILITY EQUITY

YEARS ENDED DECEMBER 31

	2004	2003
REVENUE		
Transmission services revenue	\$ 5,416,002	\$ 5,459,460
Miscellaneous services revenue	29,217	51,029
Interest income	33,788	40,470
	5,479,007	5,550,959
EXPENSES		
Amortization	444,013	567,015
Bad debts	83,633	73,201
Board of directors	168,541	118,576
Insurance	395,439	244,776
Interest on long-term debt	451,396	776,102
Maintenance	749,035	540,105
Market readiness (recovery)	(684,974)	846,273
Office and other	188,491	132,601
Outside services	711,859	467,372
Salaries and benefits	94,345	83,245
Travel	114,577	56,604
	2,716,355	3,905,870
INCOME BEFORE UNDERNOTED	2,762,652	1,645,089
Appropriation to insurance reserve fund (Note 6)	(861,000)	(930,500)
Appropriation to capital reserve	(3,759,311)	-
Gain on disposal of assets (Note 3)	1,857,659	-
NET INCOME	-	714,589
UTILITY EQUITY, beginning of year	732,965	18,376
UTILITY EQUITY, end of year	\$ 732,965	\$ 732,965



Ross, Pope & Company
Chartered Accountants

See accompanying notes

FIVE NATIONS ENERGY INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2004	2003
OPERATING ACTIVITIES		
NET INCOME	\$ -	\$ 714,589
ADD (DEDUCT) ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	444,013	567,015
Gain on disposal of assets	(1,857,659)	-
Appropriation to insurance reserve fund	861,000	930,500
Appropriation to capital reserve	3,759,311	-
DECREASE (INCREASE) IN:		
Accounts receivable	(380,198)	(62,177)
Prepaid expenses	2,798	(105,067)
INCREASE (DECREASE) IN:		
Accounts payable	(445,067)	(3,781,909)
Holdback payable	-	(748,263)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,384,198	(2,485,312)
FINANCING ACTIVITIES		
Repayment of long-term debt (net)	(5,348,283)	(4,731,935)
CASH USED IN FINANCING ACTIVITIES	(5,348,283)	(4,731,935)
INVESTING ACTIVITIES		
Purchase of term deposits - restricted	(861,000)	(930,500)
Proceeds from sale of capital assets	2,600,000	-
Additions to capital assets	(716,991)	(631,400)
Contributions in aid of construction	2,737,811	8,329,311
CASH PROVIDED BY INVESTING ACTIVITIES	3,759,820	6,767,411
CHANGE IN CASH	795,735	(449,836)
CASH, beginning of year	1,293,275	1,743,111
CASH, end of year	\$ 2,089,010	\$ 1,293,275
CASH CONSISTS OF:		
Cash	\$ 1,389,010	\$ 1,293,275
Short-term deposits	700,000	-
	\$ 2,089,010	\$ 1,293,275



Ross, Pope & Company
Chartered Accountants

See accompanying notes

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 & 2003

NATURE OF BUSINESS

The company owns 190 km of electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario, and currently manages the transmission of electricity on the line. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives from the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook". The accrual basis of accounting is followed for all revenues and expenses.

(b) GOING CONCERN ASSUMPTION

The financial statements have been prepared on the going concern basis, which presumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and term deposits which can be converted to cash before maturity without penalty excluding investments designated for insurance reserve purposes.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(e) FUNDING RECOGNITION

The company recognizes funding on the accrual basis in the period in which it is awarded.

(f) FINANCIAL INSTRUMENTS

The carrying value of all the company's financial instruments included in the working capital approximates their fair value since these instruments have short-term maturity dates. Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of cash, short and long term deposits and accounts receivable. The company places its cash with high credit quality financial institutions. The fair values of long-term debt are determined using market values for similar instruments.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2004 & 2003

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) CAPITAL ASSETS AND AMORTIZATION

All capital assets are recorded at cost. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Automotive equipment	5 years
Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors	25 years
Buildings	25 years
Other equipment	2 to 25 years

(h) CONTRIBUTIONS IN AID OF CONSTRUCTION

Funding received specifically for the construction of assets is credited to the related capital assets in accordance with Canadian generally accepted accounting principles for utilities.

(i) RESERVES AND RESERVE FUNDS

Certain amounts, as approved by the board of directors, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are recorded as an adjustment to the respective reserve when approved.

2. TERM DEPOSITS

(i) Short-term

Redeemable GIC at the bank prime rate less 2.20% maturing August 31, 2005	\$	700,000
---	----	---------

(ii) Restricted

Redeemable GIC at the bank prime rate less 2.20% maturing August 29, 2005	\$	430,500
Redeemable GIC at the bank prime rate less 2.25% maturing March 1, 2005		1,361,000
	\$	1,791,500

3. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET	
			2004	2003
Automotive equipment	\$ 72,071	\$ 31,991	\$ 40,080	\$ 46,379
Station equipment	3,224,535	297,104	2,927,431	3,353,094
Poles and fixtures	5,578,562	813,348	4,765,214	6,947,353
Overhead conductors	1,809,103	269,427	1,539,676	2,315,805
Buildings	172,941	2,065	170,876	-
Other equipment	121,486	45,781	75,705	63,525
	\$ 10,978,698	\$ 1,459,716	\$ 9,518,982	\$ 12,726,156



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2004 & 2003

3. CAPITAL ASSETS AND AMORTIZATION (CONT'D)

During the year, the company received \$2,737,811 in Federal government aid relating to the period of line construction. This amount was applied to reduce the cost of line equipment.

During the year the company disposed of a 24 km section of transmission line located between Moosonee and Fort Albany to Hydro One Networks Inc. for proceeds of \$2,600,000.

4. RELATED PARTY TRANSACTIONS

The company is related to Mushkegowuk Council, the individual First Nations and their power corporations by virtue of significant influence. Accounts receivable includes the following amounts due for services in the regular course of business:

	2004	2003
Attawapiskat First Nation	\$ -	\$ 77,555
Attawapiskat Power Corporation	200,710	48,018
Fort Albany First Nation	23,535	23,535
Fort Albany Power Corporation	727,475	710,508
Kashechewan Power Authority	232,962	215,184
Mushkegowuk Council	51,013	-
	1,235,695	1,074,800
Less: Allowance for doubtful accounts	1,061,156	977,522
	\$ 174,539	\$ 97,278

Pursuant to an agreement dated September 2004, \$698,166 due from Fort Albany Power Corporation and included in accounts receivable and allowance for doubtful accounts will be non-interest bearing and repayable in monthly instalments of \$4,167 commencing October 2004. The terms of repayment are subject to renegotiation in September 2009. Payments are recorded as bad debt recoveries as they are received.

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

	2004	2003
Attawapiskat Power Corporation	\$ 10,570	\$ -
Fort Albany Power Corporation	10,904	498
Kashechewan First Nation (Note 6)	250,000	-
Kashechewan Power Authority	12,045	2,442
Mushkegowuk Council	33,438	20,472
	\$ 316,957	\$ 23,412



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2004 & 2003

5. LONG-TERM DEBT

	2004	2003
Pacific & Western Public Sector Financing Corp. loan payable bearing interest at 7.15%, secured by a general security agreement, repayable in blended monthly payments of \$51,391, maturing December 2009.	\$ 2,593,078	\$ 3,010,416
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing unless default occurs, whereby interest will be charged at the bank prime rate plus 2%, repayable in accordance with an annual instalment schedule that commences on October 15, 2006 for a term of four years.	4,900,000	4,900,000
SNC Lavalin term loan repaid	-	1,700,000
Bank of Montreal loan repaid	-	1,615,473
Pacific & Western Public Sector Financing Corp. loan repaid	-	1,615,472
	7,493,078	12,841,361
Less: Current portion (net of advances)	448,311	4,732,585
	\$ 7,044,767	\$ 8,108,776

Principal payments due within the next five years and thereafter are as follows:

2005	\$ 448,311
2006	480,938
2007	515,940
2008	798,273
2009	839,616
Thereafter	4,410,000
	\$ 7,493,078



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2004 & 2003

6. COMMITMENTS AND CONTINGENCIES

The company is involved in negotiations with the Kashechewan First Nation in regards to a request for retroactive compensation relating to transmission line's right of way across reserve lands near the community of Kashechewan. Included in accounts payable and accrued liabilities is \$250,000 being management's estimate of settlement expected to occur in the 2005 fiscal year.

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring August 2006. Under the agreement, the company is obligated to make minimum annual payments of \$79,238.

Based on a funding agreement with Indian and Northern Affairs Canada, the company received funding to aid in the construction of assets. As a term of the funding agreement, certain end user customers funded by Indian and Northern Affairs Canada will be eligible for rebates for the portion of the transmission rate attributable to the cost of capital. At December 31, 2004, the amount of the potential rebate was not determinable.

On March 1, 2003, the company and Hydro One Networks Inc. entered into an insurance backstop agreement which required the company to place \$500,000 into the insurance reserve. In addition an annual fee of \$125,000 and semi-annual deposits to the insurance reserve of \$430,500 are required. The agreement took effect upon energization of the final portion of the transmission line, completed on December 3, 2003.

Under the backstop agreement, Hydro One Networks Inc. has agreed that in the event the company is not able to fully meet its financial requirements associated with an insurance loss, Hydro One Networks Inc. would pay the difference between the amount of the loss and the amount in the company's insurance reserve. The company would be obligated to repay Hydro One Networks Inc. the amount, however the total of repayments and insurance reserve deposits cannot exceed \$430,500 semi-annually. This arrangement will remain in place until such time as the company has accumulated \$5,000,000 in its insurance reserve.

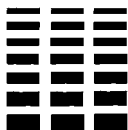
7. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period presentation.



Ross, Pope & Company
Chartered Accountants

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 & 2004



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AUDITORS' REPORT

To the Members of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2005 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company

Timmins, Ontario
April 3, 2006

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

FIVE NATIONS ENERGY INC.**BALANCE SHEET****AS AT DECEMBER 31**

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,592,273	\$ 2,089,010
Accounts receivable (Note 3)	958,127	994,526
Prepaid expenses	124,171	102,269
	3,674,571	3,185,805
RESTRICTED DEPOSITS (Note 5)	2,939,500	1,791,500
CAPITAL ASSETS (Notes 1, 2)	9,784,743	9,518,982
	\$ 16,398,814	\$ 14,496,287
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	\$ 380,913	\$ 719,433
Current portion of long-term debt	725,938	4,732,585
	1,106,851	5,452,018
LONG-TERM DEBT (Note 4)	6,318,828	2,760,493
	7,425,679	8,212,511
EQUITY IN INSURANCE RESERVE FUND (Notes 1, 5)	2,939,500	1,791,500
EQUITY IN CAPITAL RESERVE (Notes 1, 6)	6,033,635	3,759,311
UTILITY EQUITY	-	732,965
	\$ 16,398,814	\$ 14,496,287

Commitments and contingencies (Note 7)

Approved by:

Director_____
Director

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF INCOME AND UTILITY EQUITY****YEARS ENDED DECEMBER 31**

	2005	2004
REVENUE		
Transmission services	\$ 5,613,163	\$ 5,416,002
Miscellaneous services	30,925	29,217
Interest income	82,100	33,788
	5,726,188	5,479,007
EXPENSES		
Amortization	447,132	444,013
Bad debts (recovered)	(20,150)	83,633
Board of directors	200,250	168,541
Insurance	355,084	395,439
Interest on long-term debt	185,701	451,396
Maintenance	671,074	733,015
Market readiness (recovered)	-	(684,974)
Office and other	218,467	204,511
Outside services	680,647	711,859
Salaries and benefits	135,373	94,345
Travel	170,785	114,577
	3,044,363	2,716,355
INCOME BEFORE UNDERNOTED	2,681,825	2,762,652
Gain on disposal of assets	7,534	1,857,659
NET INCOME FROM OPERATIONS	2,689,359	4,620,311
Appropriation to insurance reserve fund (Note 5)	(1,148,000)	(861,000)
Appropriation to capital reserve	(2,274,324)	(3,759,311)
UTILITY EQUITY, beginning of year	732,965	732,965
UTILITY EQUITY, end of year	\$ -	\$ 732,965

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF CASH FLOWS****YEARS ENDED DECEMBER 31**

	2005	2004
OPERATING ACTIVITIES		
NET INCOME FROM OPERATIONS	\$ 2,689,359	\$ 4,620,311
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	447,132	444,013
DECREASE (INCREASE) IN:		
Accounts receivable	36,399	(380,198)
Prepaid expenses	(21,901)	2,798
INCREASE (DECREASE) IN:		
Accounts payable	(338,521)	(445,067)
CASH PROVIDED BY OPERATING ACTIVITIES	2,812,468	4,241,857
FINANCING ACTIVITIES		
Repayment of long-term debt (net)	(448,312)	(5,348,283)
CASH USED IN FINANCING ACTIVITIES	(448,312)	(5,348,283)
INVESTING ACTIVITIES		
Purchase of term deposits - restricted	(1,148,000)	(861,000)
Proceeds from sale of capital assets	15,000	2,600,000
Additions to capital assets	(727,893)	(2,574,650)
Contributions in aid of construction	-	2,737,811
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,860,893)	1,902,161
CHANGE IN CASH	503,263	795,735
CASH, beginning of year	2,089,010	1,293,275
CASH, end of year	\$ 2,592,273	\$ 2,089,010

See accompanying notes.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 & 2004

NATURE OF BUSINESS

The company owns and operates a 190 km electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives from the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook", which conform to Canadian generally accepted accounting principles. The accrual basis of accounting is followed for all revenues and expenses.

(b) GOING CONCERN ASSUMPTION

The financial statements have been prepared on the going concern basis, which presumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

(c) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(d) REVENUE RECOGNITION

The company recognizes revenue from transmission services when they are received by the customer, as determined by the Independent Electricity System Operator, a not-for-profit entity established by the Government of Ontario.

(e) FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, restricted deposits, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

(f) CAPITAL ASSETS AND AMORTIZATION

All capital assets are recorded at cost. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors	25 years
Buildings, automotive and other	2 to 25 years

(g) CONTRIBUTIONS IN AID OF CONSTRUCTION

Funding received specifically for the construction of assets is credited to the related capital assets in accordance with Canadian generally accepted accounting principles for utilities.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2005 & 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) RESERVES AND RESERVE FUNDS

Certain amounts, as approved by the board of directors, are set aside in reserves and/or reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective account when approved.

2. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	2005	NET 2004
Station equipment	\$ 3,502,361	\$ 381,143	\$ 3,121,218	\$ 2,927,431
Poles and fixtures	5,871,499	1,042,851	4,828,648	4,765,214
Overhead conductors	1,828,859	342,422	1,486,437	1,539,676
Buildings, automotive and other	464,268	115,828	348,440	286,661
	\$ 11,666,987	\$ 1,882,244	\$ 9,784,743	\$ 9,518,982

3. RELATED PARTY TRANSACTIONS

The company is related to Mushkegowuk Council, the individual First Nations and their respective power corporations by virtue of significant influence. Accounts receivable includes the following amounts due for services in the regular course of business:

	2005	2004
Attawapiskat Power Corporation	\$ 72,114	\$ 200,710
Fort Albany First Nation	23,535	23,535
Fort Albany Power Corporation	697,504	727,475
Kashechewan First Nation	10,170	-
Kashechewan Power Authority	247,253	232,962
Mushkegowuk Council	88,817	51,013
	1,139,393	1,235,695
Less: Allowance for doubtful accounts	1,041,006	1,061,156
	\$ 98,387	\$ 174,539

Accounts receivable and allowance for doubtful accounts include \$654,000 due from Fort Albany Power Corporation which is non-interest bearing and repayable in monthly instalments of \$4,167 pursuant to an agreement dated September 2004. The terms of repayment are subject to renegotiation in September 2009. Payments are recorded as bad debt recoveries as they are received. As at December 31, 2005, repayments were \$10,000 in arrears.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2005 & 2004

3. RELATED PARTY TRANSACTIONS (CONT'D)

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

	2005	2004
Attawapiskat Power Corporation	\$ 72,228	\$ 10,570
Fort Albany First Nation	8,666	125,000
Fort Albany Power Corporation	589	10,904
Kashechewan First Nation	8,666	125,000
Kashechewan Power Authority	39,140	12,045
Mushkegowuk Council	38,980	33,438
	\$ 168,269	\$ 316,957

4. LONG-TERM DEBT

	2005	2004
Pacific & Western Bank of Canada. loan payable bearing interest at 7.15%, secured by a general security agreement, repayable in blended monthly payments of \$51,391, maturing December 2009.	\$ 2,144,766	\$ 2,593,078
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing unless default occurs, whereby interest will be charged at the bank prime rate plus 2%, repayable in accordance with an annual instalment schedule that commences October 15, 2006 for a term of four years.	4,900,000	4,900,000
	7,044,766	7,493,078
Less: Current portion	725,938	4,732,585
	\$ 6,318,828	\$ 2,760,493

Principal payments due within the next five years are as follows:

2006	\$ 725,938
2007	760,940
2008	798,273
2009	839,615
2010	3,920,000
	\$ 7,044,766

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2005 & 2004

5. EQUITY IN INSURANCE RESERVE FUND

	2005	2004
EQUITY IN INSURANCE RESERVE FUND		
Balance, beginning of year	\$ 1,791,500	\$ 930,500
Appropriation from utility equity	1,148,000	861,000
Balance, end of year	\$ 2,939,500	\$ 1,791,500

On March 1, 2003, the company and Hydro One Networks Inc. entered into an insurance backstop agreement which required the company to place \$500,000 into the insurance reserve. In addition an annual fee of \$125,000 and semi-annual deposits to the insurance reserve of \$430,500 are required. The agreement took effect upon energization of the final portion of the transmission line, completed on December 3, 2003. Effective September 2005, the company elected to make advance monthly deposits of \$71,750 to the insurance reserve fund in lieu of semi-annual deposits. Funds are held in a financial institution treasury account.

Under the backstop agreement, Hydro One Networks Inc. has agreed that in the event the company is not able to fully meet its financial requirements associated with an insurance loss, Hydro One Networks Inc. would pay the difference between the amount of the loss and the amount in the company's insurance reserve. The company would be obligated to repay Hydro One Networks Inc. the amount, however the total of repayments and insurance reserve deposits cannot exceed \$430,500 semi-annually. This arrangement will remain in place until such time as the company has accumulated \$5,000,000 in its insurance reserve which is anticipated to occur in February 2008.

6. EQUITY IN CAPITAL RESERVE

	2005	2004
Balance, beginning of year	\$ 3,759,311	\$ -
Appropriation from utility equity	2,274,324	3,759,311
Balance, end of year	\$ 6,033,635	\$ 3,759,311

7. COMMITMENTS AND CONTINGENCIES

Based on a funding agreement with Indian and Northern Affairs Canada, the company received funding to aid in the construction of assets. As a term of the funding agreement, certain end user customers funded by Indian and Northern Affairs Canada will be eligible for rebates for the portion of the transmission rate attributable to the cost of capital. At December 31, 2005, the amount of the potential rebate was not determinable.

During the year, the company entered in an agreement with DeBeers Canada Inc. for the installation of optical ground wire telecommunication lines (fibre optics line) between Moosonee and Kashechewan, Ontario. The total obligation is \$1,587,062 to be paid as follows:

Upon confirmation of ordering of materials	60%	\$ 952,237
Upon successful testing or acceptance	30%	\$ 476,119
Upon transfer	10%	\$ 158,706

In order for the telecommunication line to be operational, significant future capital expenditures will be required. Management estimates additional expenditures to be \$4,600,000 inclusive of line installation between Kashechewan and Attawapiskat, Ontario.

The company has agreed to pay \$50,000 per year in respect to the transmission line's right of way across reserve

lands near the community of Kashechewan.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2005 & 2004

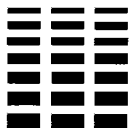
7. COMMITMENTS AND CONTINGENCIES (CONT'D)

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring August 2006. Under the agreement, the company is obligated to make minimum annual payments of \$79,238.

8. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period presentation.

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 & 2005



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Chartered Accountants

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AUDITORS' REPORT

To the Members of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2006 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company

March 16, 2007
Timmins, Ontario

Ross, Pope & Company
Chartered Accountants
Licensed Public Accountants

FIVE NATIONS ENERGY INC.**BALANCE SHEET****AS AT DECEMBER 31**

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,259,669	\$ 2,592,273
Accounts receivable (Note 4)	867,373	958,127
Prepaid expenses	200,076	124,171
	2,327,118	3,674,571
RESTRICTED DEPOSITS (Note 6)	3,800,500	2,939,500
CAPITAL ASSETS (Notes 1, 3)	13,439,081	9,784,743
	\$ 19,566,699	\$ 16,398,814
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 1,725,079	\$ 380,913
Current portion of long-term debt (Note 5)	245,000	725,938
	1,970,079	1,106,851
LONG-TERM DEBT (Note 5)	6,132,316	6,318,828
	8,102,395	7,425,679
EQUITY IN INSURANCE RESERVE FUND (Notes 1, 6)	3,800,500	2,939,500
EQUITY IN CAPITAL RESERVE (Notes 1, 7)	7,663,804	6,033,635
UTILITY EQUITY	-	-
	\$ 19,566,699	\$ 16,398,814

Commitments and contingencies (Note 8)

Approved by:

President_____
Treasurer

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF INCOME AND UTILITY EQUITY****YEARS ENDED DECEMBER 31**

	2006	2005
REVENUE		
Transmission services	\$ 5,508,517	\$ 5,613,163
Miscellaneous services	25,733	30,925
Interest income	198,037	82,100
	5,732,287	5,726,188
EXPENSES		
Amortization	516,397	447,132
Bad debt recovery	(51,442)	(20,150)
Board of directors	180,875	200,250
Insurance	376,481	355,084
Interest on long-term debt	205,043	185,701
Maintenance	614,916	671,074
Office and other	214,224	218,467
Outside services	837,569	680,647
Salaries and benefits	184,091	135,373
Travel	162,964	170,785
	3,241,118	3,044,363
INCOME BEFORE UNDERNOTED	2,491,169	2,681,825
Gain on disposal of assets	-	7,534
NET INCOME FROM OPERATIONS	2,491,169	2,689,359
Appropriation to insurance reserve fund (Note 6)	(861,000)	(1,148,000)
Appropriation to capital reserve (Note 7)	(1,630,169)	(2,274,324)
UTILITY EQUITY, beginning of year	-	732,965
UTILITY EQUITY, end of year	\$ -	\$ -

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF CASH FLOWS****YEARS ENDED DECEMBER 31**

	2006	2005
OPERATING ACTIVITIES		
NET INCOME FROM OPERATIONS	\$ 2,491,169	\$ 2,689,359
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	516,397	447,132
DECREASE (INCREASE) IN:		
Accounts receivable	90,754	36,399
Prepaid expenses	(75,906)	(21,901)
INCREASE (DECREASE) IN:		
Accounts payable	1,344,167	(338,521)
CASH PROVIDED BY OPERATING ACTIVITIES	4,366,581	2,812,468
FINANCING ACTIVITIES		
Repayment of long-term debt	(667,450)	(448,312)
CASH USED IN FINANCING ACTIVITIES	(667,450)	(448,312)
INVESTING ACTIVITIES		
Deposits to insurance reserve account	(861,000)	(1,148,000)
Proceeds from sale of capital assets	-	15,000
Additions to capital assets	(4,170,735)	(727,893)
CASH USED IN INVESTING ACTIVITIES	(5,031,735)	(1,860,893)
CHANGE IN CASH	(1,332,604)	503,263
CASH, beginning of year	2,592,273	2,089,010
CASH, end of year	\$ 1,259,669	\$ 2,592,273
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	\$ 205,043	\$ 185,701

See accompanying notes.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 & 2005

NATURE OF BUSINESS

The company owns and operates a 190 km electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives from the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook", which conform to Canadian generally accepted accounting principles. The accrual basis of accounting is followed for all revenues and expenses.

(b) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(c) REVENUE RECOGNITION

The company recognizes revenue from transmission services when they are received by the customer, as determined by the Independent Electricity System Operator, a not-for-profit entity established by the Government of Ontario.

(d) CAPITAL ASSETS, CONTRIBUTIONS IN AID OF CONSTRUCTION AND AMORTIZATION

All capital assets are recorded at cost. Funding received specifically for the construction of assets is credited to capital assets in accordance with Canadian generally accepted accounting principles for utilities. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors and devices	25 years
Buildings, automotive and other equipment	2 to 25 years
Contributions in aid of construction	25 to 40 years

(e) RESERVES AND RESERVE FUNDS

Certain amounts, as approved by the board of directors, are set aside in reserves and/or reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective account when approved.

2. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The company's carrying value of cash, restricted cash, accounts receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt issued by Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The carrying value of the long-term debt issued by Northern Ontario Heritage Fund exceeds the fair value as it is non-interest bearing until October 2010.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

3. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET 2006	2005
Station equipment	\$ 14,805,136	\$ 1,497,242	\$ 13,307,894	\$ 11,464,273
Poles and fixtures	25,103,871	4,462,670	20,641,201	21,285,656
Overhead conductors and devices	9,561,447	1,486,731	8,074,716	6,960,476
Buildings, automotive and other equipment	652,728	198,093	454,635	348,440
	50,123,182	7,644,736	42,478,446	40,058,845
Less: Contributions in aid of construction	34,285,460	5,246,095	29,039,365	30,274,102
	\$ 15,837,722	\$ 2,398,641	\$ 13,439,081	\$ 9,784,743

Overhead conductors and devices includes \$1,437,344 relating to the fibre optic line construction project. These assets are not amortized. Amortization will commence upon commissioning of the line.

Contributions in aid of construction consists of Indian and Northern Affairs Canada (INAC) funding received under a multi-year funding agreement for the acquisition and construction of station equipment, poles and fixtures, overhead conductors and devices and the portion of INAC funding received for market readiness costs incurred during the construction period. INAC funding received for market readiness costs incurred after the construction period were reported as an expense recovery in 2004.

Pursuant to a connection and cost recovery agreement between De Beers Canada Inc. and the company, De Beers Canada Inc. will construct a transmission line between Moosonee and Kashechewan, Ontario with an expected completion date of October 2007. Upon commissioning of the line it will be transferred to the company. The cost of the asset, borne by DeBeers Canada Inc., is approximately \$37,300,000. Upon transfer, De Beers Canada Inc. will reimburse the company annually for incremental costs of operating the line during the life of the Victor mine near Attawapiskat, Ontario. The life of the Victor mine is currently anticipated to be 15 years.

4. RELATED PARTY TRANSACTIONS

The company is related to Mushkegowuk Council, the individual First Nations and their respective power corporations by virtue of significant influence. Accounts receivable include the following amounts due for services in the regular course of business:

	2006	2005
Attawapiskat Power Corporation	\$ -	\$ 72,114
Fort Albany First Nation	23,535	23,535
Fort Albany Power Corporation	674,604	697,504
Kashechewan First Nation	10,170	10,170
Kashechewan Power Authority	285,005	247,253
Mushkegowuk Council	92,424	88,817
	1,085,738	1,139,393
Less: Allowance for doubtful accounts	989,564	1,041,006
	\$ 96,174	\$ 98,387

Included in the above balance due from Fort Albany Power Corporation is \$634,833 which is non-interest bearing and repayable in monthly instalments of \$4,167 pursuant to an agreement dated September 2004. The terms of repayment are subject to renegotiation in September 2009. Payments are recorded as bad debt recoveries as they are received. As at December 31, 2006, repayments were \$40,833 in arrears.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

4. RELATED PARTY TRANSACTIONS (CONT'D)

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

	2006	2005
Attawapiskat First Nation	\$ 9,178	\$ -
Attawapiskat Power Corporation	63,605	72,228
Fort Albany First Nation (Note 8)	33,333	8,333
Fort Albany Power Corporation	10,383	588
Kashechewan First Nation (Note 8)	33,333	8,333
Kashechewan Power Corporation	1,827	39,140
Mushkegowuk Council	39,919	38,980
	\$ 191,578	\$ 167,602

The company purchases goods and services from the member power corporations in the normal course of operations including the following:

	2006	2005
Electricity	\$ 30,050	\$ 22,123
Weekly station checks	\$ 30,000	\$ 30,000
Vehicle standby charges	\$ 15,000	\$ 15,000

5. LONG-TERM DEBT

	2006	2005
Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. loan payable bearing interest at 5.5%, secured by a general security agreement, repayable in blended monthly payments commencing January 2008, maturing February 2028.	\$ 1,722,316	\$ -
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing until October 2010 at which time interest will commence at 4% per annum, repayable in accordance with an instalment schedule that commences October 15, 2006, maturing August 15, 2013, as per amended agreement dated June 1, 2006.	4,655,000	4,900,000
Pacific & Western Public Sector Financing Corp. loan refinanced during year.	-	2,144,766
	6,377,316	7,044,766
Less: Current portion	245,000	725,938
	\$ 6,132,316	\$ 6,318,828

On November 29, 2006 the company entered into an agreement with Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. to borrow \$11,000,000 inclusive of \$1,722,316 advanced to date to finance capital projects and repay the Pacific & Western Public Sector Financing Corp. loan. The balance of the facility is expected to be advanced by June 2008. Interest will be determined at the date of each advance based on the prevailing long-term Government of Canada bond yield plus 1.4%.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

5. LONG-TERM DEBT (CONT'D)

Principal payments due within the next five years and thereafter for the existing debt and pursuant to fully drawing the facility referred to above are approximately as follows:

	Existing Debt	Facility Fully Drawn
2007	\$ 245,000	\$ 245,000
2008	293,655	555,768
2009	951,403	1,228,297
2010	944,498	1,237,011
2011	918,420	1,196,128
Thereafter	3,024,340	11,192,796
	\$ 6,377,316	\$ 15,655,000

6. EQUITY IN INSURANCE RESERVE FUND

	2006	2005
Balance, beginning of period	\$ 2,939,500	\$ 1,791,500
Appropriation from utility equity	861,000	1,148,000
Balance, end of period	\$ 3,800,500	\$ 2,939,500

On March 1, 2003, the company and Hydro One Networks Inc. entered into an insurance backstop agreement which required the company to place \$500,000 into the insurance reserve. In addition, an annual fee of \$125,000 and semi-annual deposits to the insurance reserve of \$430,500 are required. The agreement took effect upon energization of the final portion of the transmission line, completed on December 3, 2003. Effective September 2005, the company elected to make advance monthly deposits of \$71,750 to the insurance reserve fund in lieu of semi-annual deposits. Funds are held in a financial institution treasury account.

Under the backstop agreement, Hydro One Networks Inc. has agreed that in the event the company is not able to fully meet its financial requirements associated with an insurance loss, Hydro One Networks Inc. would pay the difference between the amount of the loss and the amount in the company's insurance reserve. The company would be obligated to repay Hydro One Networks Inc. the amount, however the total of repayments and insurance reserve deposits cannot exceed \$430,500 semi-annually. Pursuant to the financing agreement entered into by the company on November 29, 2006 and referred to in note 4, the insurance reserve requirement is set at \$4,000,000. Management anticipates this will be achieved by February 2007.

7. EQUITY IN CAPITAL RESERVE

	2006	2005
Balance, beginning of period	\$ 6,033,635	\$ 3,759,311
Appropriation from operating fund	1,630,169	2,274,324
Balance, end of period	\$ 7,663,804	\$ 6,033,635

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31 & 2005

8. COMMITMENTS AND CONTINGENCIES

Based on a funding agreement with INAC, the company received funding to aid in the construction of assets. As a term of the funding agreement, certain end user customers funded by INAC will be eligible for rebates for the portion of the transmission rate attributable to the cost of capital. At December 31, 2006, the amount of the potential rebate was not determinable.

The company has entered into an agreement with De Beers Canada Inc. for the supply and installation of optical ground wire telecommunication lines (fibre optics line) between Moosonee and Kashechewan, Ontario. The total obligation by the company is \$1,587,062 of which \$952,237 has been accrued for in these financial statements. Management anticipates the balance of the obligation will become due during 2007.

The company has entered into an agreement with Valard Construction Ltd. for the supply and installation of poles and fibre optics line between Kashechewan and Attawapiskat, Ontario, as well as various other assets related to the commissioning of the fibre optics line between Moosonee and Attawapiskat, Ontario. The total obligation by the company is \$5,587,545 inclusive of a side agreement with De Beers Canada Inc. of which \$125,000 has been accrued for in these financial statements. Pursuant to a delay notification by Valard Construction Ltd. on March 9, 2007, management anticipates the balance of the obligation will become due by June 2008.

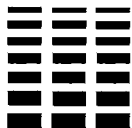
In order for the fibre optics line to be operational, additional future capital expenditures will be required by the company. Management estimates additional expenditures to be \$1,860,000.

The company has entered into an agreement with SNC-Lavalin Power Ontario Inc. for the installation of auxiliary transformers in Attawapiskat and Fort Albany, Ontario. The total obligation by the company is estimated to be \$3,410,208 inclusive of actual and pending change orders of which \$2,083,117 has been accrued for in these financial statements. Management anticipates the balance of the obligation will become payable in 2007.

The company has agreed to pay \$50,000 per year in respect to the transmission line's right of way across the Albany 67 reserve lands near the community of Kashechewan, Ontario.

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring September 2011. Under the agreement, the company is obligated to make minimum annual payments of \$165,471.

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 & 2006



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AUDITORS' REPORT

To the Members of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2007 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company

March 28, 2008
Timmins, Ontario

Ross, Pope & Company
Chartered Accountants
Licensed Public Accountants

FIVE NATIONS ENERGY INC.**BALANCE SHEET****AS AT DECEMBER 31**

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,819,138	\$ 1,259,669
Accounts receivable (Note 4)	866,824	867,373
Prepaid expenses	150,505	200,076
	2,836,467	2,327,118
RESTRICTED DEPOSITS	4,000,000	3,800,500
CAPITAL ASSETS (Notes 1, 3)	17,648,698	13,439,081
	\$ 24,485,165	\$ 19,566,699
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 2,039,614	\$ 1,725,079
Current portion of long-term debt (Note 5)	600,422	725,938
	2,640,036	2,451,017
LONG-TERM DEBT (Note 5)	8,052,178	5,651,378
	10,692,214	8,102,395
EQUITY IN OPERATING FUND (Notes 1, 6)	-	-
EQUITY IN INSURANCE RESERVE FUND (Notes 1, 7)	4,000,000	3,800,500
EQUITY IN CAPITAL RESERVE (Notes 1, 8)	796,853	602,039
EQUITY IN CAPITAL FUND (Notes 1, 9)	8,996,098	7,061,765
	13,792,951	11,464,304
	\$ 24,485,165	\$ 19,566,699

Commitments and contingencies (Note 10)

Approved by:

President_____
Treasurer

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF INCOME AND UTILITY EQUITY****YEARS ENDED DECEMBER 31**

	2007	2006
REVENUE		
Transmission services	\$ 5,583,901	\$ 5,508,517
Miscellaneous services	42,951	25,733
Interest income	217,796	198,037
	5,844,648	5,732,287
EXPENSES		
Amortization	582,868	516,397
Bad debt recovery	(46,570)	(51,442)
Board of directors	248,357	180,875
Insurance	260,607	376,481
Interest on long-term debt	141,607	205,043
Maintenance	775,501	612,434
Office and other	334,448	218,254
Outside services	865,762	837,569
Salaries and benefits	186,307	176,889
Travel	167,114	168,618
	3,516,001	3,241,118
NET INCOME FROM OPERATIONS	2,328,647	2,491,169
UTILITY EQUITY, beginning of year	11,464,304	8,973,135
UTILITY EQUITY, end of year	\$ 13,792,951	\$ 11,464,304

FIVE NATIONS ENERGY INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31

	2007	2006
OPERATING ACTIVITIES		
NET INCOME FROM OPERATIONS	\$ 2,328,647	\$ 2,491,169
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	582,868	516,397
DECREASE (INCREASE) IN:		
Accounts receivable	549	90,754
Prepaid expenses	49,571	(75,906)
INCREASE (DECREASE) IN:		
Accounts payable	314,535	1,344,167
CASH PROVIDED BY OPERATING ACTIVITIES	3,276,170	4,366,581
FINANCING ACTIVITIES		
Proceeds of long-term debt	2,275,284	-
Repayment of long-term debt	-	(667,450)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,275,284	(667,450)
INVESTING ACTIVITIES		
Deposits to insurance reserve account	(199,500)	(861,000)
Additions to capital assets	(4,792,485)	(4,170,735)
CASH USED IN INVESTING ACTIVITIES	(4,991,985)	(5,031,735)
CHANGE IN CASH	559,469	(1,332,604)
CASH, beginning of year	1,259,669	2,592,273
CASH, end of year	\$ 1,819,138	\$ 1,259,669
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	\$ 141,607	\$ 205,043

See accompanying notes.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 & 2006

NATURE OF BUSINESS

The company owns and operates a 190 km electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives of the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook", which conform to Canadian generally accepted accounting principles. The accrual basis of accounting is followed for all revenues and expenses.

(b) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(c) REVENUE RECOGNITION

The company recognizes revenue from transmission services when they are received by the customer, as determined by the Independent Electricity System Operator, a not-for-profit entity established by the Government of Ontario.

(d) CAPITAL ASSETS, CONTRIBUTIONS IN AID OF CONSTRUCTION AND AMORTIZATION

All capital assets are recorded at cost. Funding received specifically for the construction of assets is credited to capital assets in accordance with Canadian generally accepted accounting principles for utilities. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors and devices	25 years
Buildings, automotive and other equipment	2 to 25 years
Contributions in aid of construction	25 to 40 years

(e) FUND ACCOUNTING

The company uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. Funds are maintained as follows:

OPERATING FUND - reports on the general transmission activities of the company.

INSURANCE RESERVE FUND - reports on the appropriated retained earnings set aside for damages to poles, fixtures, overhead conductors and devices.

CAPITAL RESERVE - reports on the appropriated retained earnings set aside for future capital improvements. The company's policy is to appropriate all operating profits to the capital reserve on an annual basis.

CAPITAL FUND - reports on the capital assets of the company, together with related financing.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 & 2006

2. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The company's carrying value of cash, restricted cash, accounts receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt issued by Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The carrying value of the long-term debt issued by Northern Ontario Heritage Fund exceeds the fair value of the debt since the prevailing interest rate exceeds the rate being charged. The fair market value of the debt assuming a prevailing interest rate of 5.5% per annum is approximately \$4,065,670.

3. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET 2007	2006
Station equipment	\$ 16,431,897	\$ 1,880,026	\$ 14,551,871	\$ 13,307,894
Poles and fixtures	27,145,056	5,471,949	21,673,107	20,641,201
Overhead conductors and devices	10,659,467	1,812,132	8,847,335	8,074,716
Buildings, automotive and other equipment	679,247	298,238	381,009	454,635
	54,915,667	9,462,345	45,453,322	42,478,446
Less: Contributions in aid of construction	34,285,460	6,480,836	27,804,624	29,039,365
	\$ 20,630,207	\$ 2,981,509	\$ 17,648,698	\$ 13,439,081

Overhead conductors and devices includes \$2,520,676, poles and fixtures includes \$1,767,184 and station equipment includes \$386,644 relating to a fibre optic line construction project. These assets are not being amortized. Amortization will commence upon commissioning of the line.

Contributions in aid of construction consists of Indian and Northern Affairs Canada (INAC) funding received under a multi-year funding agreement for the acquisition and construction of station equipment, poles and fixtures, overhead conductors and devices and the portion of INAC funding received for market readiness costs incurred during the construction period. INAC funding received for market readiness costs incurred after the construction period were reported as an expense recovery in 2004.

Pursuant to a connection and cost recovery agreement between De Beers Canada Inc. (De Beers) and the company, De Beers will construct a transmission line between Moosonee and Kashechewan, Ontario with an expected completion date of June 2008. Upon commissioning of the line it will be transferred to the company. The cost of the asset, borne by De Beers, is approximately \$37,300,000. Upon transfer, De Beers will reimburse the company annually for incremental costs of operating the line during the life of the Victor mine near Attawapiskat, Ontario. The life of the Victor mine is currently anticipated to be 15 years.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 & 2006

4. RELATED PARTY TRANSACTIONS

The company is related to the individual First Nations and their respective power corporations by virtue of significant influence. Accounts receivable includes the following amounts due for services in the regular course of business:

	2007	2006
Attawapiskat Power Corporation	\$ 14,215	\$ -
Fort Albany First Nation	23,535	23,535
Fort Albany Power Corporation	-	674,603
Kashechewan First Nation	10,170	10,170
Kashechewan Power Authority	83,858	285,005
	131,778	993,313
Less: Allowance for doubtful accounts	117,563	989,564
	\$ 14,215	\$ 3,749

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

	2007	2006
Attawapiskat First Nation	\$ -	\$ 9,178
Attawapiskat Power Corporation	47,253	63,605
Fort Albany First Nation (Note 10)	58,333	33,333
Fort Albany Power Corporation	1,347	10,383
Kashechewan First Nation (Note 10)	58,333	33,333
Kashechewan Power Corporation	21,212	39,140
	\$ 186,478	\$ 188,972

The company purchases goods and services from the member power corporations in the normal course of operations including the following:

	2007	2006
Electricity	\$ 25,144	\$ 30,050
Weekly station checks	\$ 30,000	\$ 30,000
Vehicle standby charges	\$ 10,000	\$ 15,000

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 & 2006

5. LONG-TERM DEBT

	2007	2006
Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. loan payable bearing interest at 5.7%, secured by a general security agreement, repayable in blended monthly payments commencing February 2008, maturing February 2028.	\$ 3,997,600	\$ 1,722,316
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing until October 2010 at which time interest will commence at 4% per annum, repayable in accordance with an instalment schedule that commences October 15, 2006, maturing August 15, 2013, as per amended agreement dated June 1, 2006.	4,655,000	4,655,000
	8,652,600	6,377,316
Less: Current portion	600,422	725,938
	\$ 8,052,178	\$ 5,651,378

On November 29, 2006 the company entered into an agreement with Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. to borrow \$11,000,000 inclusive of \$3,997,600 advanced to date to finance capital projects and repay the Pacific & Western Public Sector Financing Corp. loan. The balance of the facility was advanced into an escrow account on January 31, 2008, bears interest of 5.49% and is repayable in blended monthly payments \$75,246.

Principal payments due within the next five years and thereafter for the existing debt and pursuant to fully drawing the facility referred to above are approximately as follows:

	Existing Debt	Facility Fully Drawn
2008	\$ 600,422	\$ 776,397
2009	1,016,883	1,229,097
2010	1,013,919	1,237,621
2011	992,015	1,227,828
2012	1,034,759	1,283,335
Thereafter	3,994,602	9,900,722
	\$ 8,652,600	\$ 15,655,000

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 & 2006

6. EQUITY IN OPERATING FUND

	2007	2006
Balance, beginning of period	\$ -	\$ -
Net income from operations	2,328,647	2,491,169
Appropriation to insurance reserve	(199,500)	(861,000)
Appropriation to capital reserve	(2,129,147)	(1,630,169)
Balance, end of period	\$ -	\$ -

7. EQUITY IN INSURANCE RESERVE FUND

	2007	2006
Balance, beginning of period	\$ 3,800,500	\$ 2,939,500
Appropriation from operating fund	199,500	861,000
Balance, end of period	\$ 4,000,000	\$ 3,800,500

Under the terms of the Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. loan payable, the company must establish and maintain an insurance reserve fund of \$4,000,000. The insurance reserve became fully funded as of February 28, 2007.

8. EQUITY IN CAPITAL RESERVE

	2007	2006
Balance, beginning of period	\$ 602,039	\$ 3,293,658
Appropriation to capital fund	(1,934,333)	(4,321,788)
Appropriation from operating fund	2,129,147	1,630,169
Balance, end of period	\$ 796,853	\$ 602,039

9. EQUITY IN CAPITAL FUND

	2007	2006
Balance, beginning of period	\$ 7,061,765	\$ 2,739,977
Appropriations from (to) capital reserve for:		
Capital asset additions	4,792,485	4,170,735
Amortization	(582,868)	(516,397)
Repayment (proceeds) of long-term debt	(2,275,284)	667,450
Balance, end of period	\$ 8,996,098	\$ 7,061,765

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 & 2006

10. COMMITMENTS AND CONTINGENCIES

Based on a funding agreement with INAC, the company received funding to aid in the construction of assets. As a term of the funding agreement, certain end user customers funded by INAC will be eligible for rebates for the portion of the transmission rate attributable to the cost of capital. At December 31, 2007, the amount of the potential rebate was not determinable.

The company has entered into an agreement with De Beers Canada Inc. for the supply and installation of optical ground wire telecommunication lines (fibre optics line) between Moosonee and Kashechewan, Ontario. The total obligation by the company is \$1,587,062 of which \$952,235 has been accrued for in these financial statements. Management anticipates the balance of the obligation will become due by June 2008. The company has entered into an agreement with Valard Construction Ltd. for the supply and installation of poles and fibre optics line between Kashechewan and Attawapiskat, Ontario, as well as various other assets related to the commissioning of the fibre optics line between Moosonee and Attawapiskat, Ontario. The total obligation by the company is \$6,607,637 inclusive of a side agreement with De Beers Canada Inc. of which \$2,861,034 has been accrued for in these financial statements. Pursuant to a delay notification by Valard Construction Ltd. on March 9, 2007, management anticipates the balance of the obligation will become due by June 2008.

In order for the fibre optics line to be operational, additional future capital expenditures will be required by the company. Management estimates additional expenditures to be approximately \$2,460,000 of which \$1,111,236 has been accrued for in these financial statements.

The company has entered into an agreement with SNC-Lavalin Power Ontario Inc. for the installation of auxiliary transformers in Attawapiskat and Fort Albany, Ontario. The total obligation by the company is estimated to be \$3,447,545 inclusive of change orders of which \$3,099,659 has been accrued for in these financial statements. Management anticipates the balance of the obligation will become due by June 2008.

The company has entered into an agreement with SNC Lavalin Power Ontario Inc. for the acquisition and installation of a 2nd transformer in Kashechewan, Ontario. The total contract value is \$3,747,510, with an expected completion date of July 2009. The total obligation for 2008 will be estimated to be \$2,786,572.

The company has agreed to pay \$50,000 per year in respect to the transmission line's right of way across the Albany 67 reserve lands near the community of Kashechewan, Ontario.

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring September 2011. Under the agreement, the company is obligated to make minimum annual payments of \$165,471. Effective with the energizations of the 2nd transformers at Fort Albany and Attawapiskat, Ontario the annual obligation will increase to \$187,813.

11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period presentation.

FIVE NATIONS ENERGY INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 & 2007



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AUDITORS' REPORT

To the Members of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2008 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company LLP

April 28, 2009
Timmins, Ontario


Ross, Pope & Company LLP
Chartered Accountants
Licensed Public Accountants


FIVE NATIONS ENERGY INC.**BALANCE SHEET****AS AT DECEMBER 31**

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 508,145	\$ 1,819,138
Accounts receivable (Note 4)	793,524	866,824
Prepaid expenses	150,000	150,505
	1,451,669	2,836,467
RESTRICTED DEPOSITS (Note 7)	4,000,000	4,000,000
CAPITAL ASSETS (Notes 1, 3)	26,424,084	17,648,698
	\$ 31,875,753	\$ 24,485,165
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 1,131,185	\$ 1,803,552
Holdbacks payable	-	236,062
Current portion of long-term debt (Note 5)	1,229,097	600,422
	2,360,282	2,640,036
LONG-TERM DEBT (Note 5)	13,649,506	8,052,178
	16,009,788	10,692,214
UTILITY EQUITY		
Equity in operating fund (Notes 1, 6)	-	-
Equity in insurance reserve fund (Notes 1, 7)	4,000,000	4,000,000
Equity in capital reserve (Notes 1, 8)	320,484	796,853
Equity in capital fund (Notes 1, 9)	11,545,481	8,996,098
	15,865,965	13,792,951
	\$ 31,875,753	\$ 24,485,165

Commitments and contingencies (Note 11)

Approved by:


 President


 Treasurer

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF INCOME AND UTILITY EQUITY****YEARS ENDED DECEMBER 31**

	2008	2007
REVENUE		
Transmission services	\$ 5,226,555	\$ 5,583,901
Miscellaneous services	74,734	42,951
Interest income	228,265	217,796
	5,529,554	5,844,648
EXPENSES		
Amortization	645,179	582,868
Bad debt recovery	(46,189)	(46,570)
Board of directors	214,455	248,357
Insurance	229,916	260,607
Interest on long-term debt	560,469	141,607
Maintenance	650,952	775,501
Office and other	240,185	334,448
Outside services	659,310	865,762
Salaries and benefits	197,839	186,307
Travel	104,424	167,114
	3,456,540	3,516,001
NET INCOME FROM OPERATIONS	2,073,014	2,328,647
UTILITY EQUITY, beginning of year	13,792,951	11,464,304
UTILITY EQUITY, end of year	\$ 15,865,965	\$ 13,792,951

See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF CASH FLOWS****YEARS ENDED DECEMBER 31**

	2008	2007
OPERATING ACTIVITIES		
NET INCOME FROM OPERATIONS	\$ 2,073,014	\$ 2,328,647
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	645,179	582,868
DECREASE (INCREASE) IN:		
Accounts receivable	73,300	549
Prepaid expenses	505	49,571
INCREASE (DECREASE) IN:		
Accounts payable	(672,367)	78,473
Holdback payable	(236,062)	236,062
CASH PROVIDED BY OPERATING ACTIVITIES	1,883,569	3,276,170
FINANCING ACTIVITIES		
Proceeds of long-term debt	7,002,400	2,275,284
Repayment of long-term debt	(776,397)	-
CASH PROVIDED BY FINANCING ACTIVITIES	6,226,003	2,275,284
INVESTING ACTIVITIES		
Deposits to insurance reserve account	-	(199,500)
Additions to capital assets	(9,420,565)	(4,792,485)
CASH USED IN INVESTING ACTIVITIES	(9,420,565)	(4,991,985)
CHANGE IN CASH	(1,310,993)	559,469
CASH, beginning of year	1,819,138	1,259,669
CASH, end of year	\$ 508,145	\$ 1,819,138
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	\$ 560,469	\$ 141,607

See accompanying notes.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 & 2007

NATURE OF BUSINESS

The company owns and operates a 190 km electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives of the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook", which conform with Canadian generally accepted accounting principles. The accrual basis of accounting is followed for all revenues and expenses.

(b) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(c) REVENUE RECOGNITION

The company recognizes revenue from transmission services when they are received by the customer, as determined by the Independent Electricity System Operator, a not-for-profit entity established by the Government of Ontario.

(d) CAPITAL ASSETS, CONTRIBUTIONS IN AID OF CONSTRUCTION AND AMORTIZATION

All capital assets are recorded at cost. Funding received specifically for the construction of assets is credited to capital assets in accordance with Canadian generally accepted accounting principles for utilities. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors and devices	25 years
Buildings, automotive and other equipment	2 to 25 years
Contributions in aid of construction	25 to 40 years

(e) FUND ACCOUNTING

The company uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. Funds are maintained as follows:

OPERATING FUND - reports on the general transmission activities of the company.

INSURANCE RESERVE FUND - reports on the appropriated retained earnings set aside for damages to poles, fixtures, overhead conductors and devices.

CAPITAL RESERVE - reports on the appropriated retained earnings set aside for future capital improvements. The company's policy is to appropriate all operating profits to the capital reserve on an annual basis.

CAPITAL FUND - reports on the capital assets of the company, together with related financing.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2008 & 2007

2. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, restricted deposits, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The company's carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and holdback payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt issued by Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The carrying value of the long-term debt issued by Northern Ontario Heritage Fund exceeds the fair value of the debt since the prevailing interest rate exceeds the rate being charged. The fair market value of the debt assuming a prevailing interest rate of 5.5% per annum is approximately \$3,792,000.

3. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET 2008	2007
Station equipment	\$ 20,781,558	\$ 2,329,772	\$ 18,451,786	\$ 14,551,871
Poles and fixtures	29,749,957	6,490,411	23,259,546	21,673,107
Overhead conductors and devices	12,871,642	2,137,680	10,733,962	8,847,335
Buildings, automotive and other equipment	933,075	384,401	548,674	381,009
	64,336,232	11,342,264	52,993,968	45,453,322
Less: Contributions in aid of construction	34,285,460	7,715,576	26,569,884	27,804,624
	\$ 30,050,772	\$ 3,626,688	\$ 26,424,084	\$ 17,648,698

Overhead conductors and devices includes \$4,732,850, poles and fixtures includes \$4,268,835 and station equipment includes \$1,341,632 relating to a fibre optic line construction project. These assets are not being amortized. Amortization will commence upon commissioning of the line.

Contributions in aid of construction consists of Indian and Northern Affairs Canada (INAC) funding received under a multi-year funding agreement for the acquisition and construction of station equipment, poles and fixtures, overhead conductors and devices and the portion of INAC funding received for market readiness costs incurred during the construction period.

Pursuant to an agreement between De Beers Canada Inc. (De Beers) and the company, De Beers will construct a transmission line between Moosonee and Kashechewan, Ontario with an expected completion date of June 2009. Upon commissioning of the line it will be transferred to the company. The cost of the asset, borne by De Beers, is approximately \$37,300,000. De Beers will reimburse the company annually for incremental costs of operating the line during the life of the Victor mine near Attawapiskat, Ontario. The life of the Victor mine is currently anticipated to be 15 years.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2008 & 2007

4. RELATED PARTY TRANSACTIONS

The company is related to the individual First Nations and their respective power corporations by virtue of significant influence. Accounts receivable includes the following amounts due for services in the regular course of business:

	2008	2007
Attawapiskat Power Corporation	\$ -	\$ 14,215
Fort Albany First Nation	29,051	23,535
Fort Albany Power Corporation	486	-
Kashechewan First Nation	10,170	10,170
Kashechewan Power Authority	83,975	83,858
	123,682	131,778
Less: Allowance for doubtful accounts	80,374	117,563
	\$ 43,308	\$ 14,215

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

	2008	2007
Attawapiskat Power Corporation	\$ 1,910	\$ 47,253
Fort Albany First Nation (Note 11)	83,333	58,333
Fort Albany Power Corporation	13,588	1,347
Kashechewan First Nation (Note 11)	21,932	58,333
Kashechewan Power Corporation	4,298	21,212
	\$ 125,061	\$ 186,478

The company purchases goods and services from the member power corporations in the normal course of operations including the following:

	2008	2007
Electricity	\$ 27,172	\$ 25,144
Weekly station checks	\$ 30,000	\$ 30,000
Vehicle standby charges	\$ 10,000	\$ 15,000

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2008 & 2007

5. LONG-TERM DEBT

	2008	2007
Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. loan payable bearing interest at 5.5%, secured by a general security agreement, repayable in blended monthly payments of \$75,246, maturing February 2028.	\$ 10,713,603	\$ 3,997,600
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing until October 2010 at which time interest will commence at 4% per annum, repayable in accordance with an instalment schedule that commenced October 15, 2006, maturing August 2013.	4,165,000	4,655,000
	14,878,603	8,652,600
Less: Current portion	1,229,097	600,422
	\$ 13,649,506	\$ 8,052,178

Principal payments due within the next five years and thereafter are approximately as follows:

2009	\$ 1,229,097
2010	1,237,621
2011	1,227,828
2012	1,283,335
2013	1,026,382
Thereafter	8,874,340
	\$ 14,878,603

FIVE NATIONS ENERGY INC.**NOTES TO FINANCIAL STATEMENTS (CONT'D)****YEARS ENDED DECEMBER 31, 2008 & 2007****6. EQUITY IN OPERATING FUND**

	2008	2007
Balance, beginning of year	\$ -	\$ -
Net income from operations	2,073,014	2,328,647
Appropriation to insurance reserve	-	(199,500)
Appropriation to capital reserve	(2,073,014)	(2,129,147)
Balance, end of year	\$ -	\$ -

7. EQUITY IN INSURANCE RESERVE FUND

Under the terms of the Pacific & Western Public Sector Financing Corp. and Manulife Financial Corp. loan payable, the company must establish and maintain an insurance reserve fund of \$4,000,000. The insurance reserve became fully funded as of February 28, 2007.

8. EQUITY IN CAPITAL RESERVE

	2008	2007
Balance, beginning of year	\$ 796,853	\$ 602,039
Appropriation to capital fund	(2,549,383)	(1,934,333)
Appropriation from operating fund	2,073,014	2,129,147
Balance, end of year	\$ 320,484	\$ 796,853

9. EQUITY IN CAPITAL FUND

	2008	2007
Balance, beginning of year	\$ 8,996,098	\$ 7,061,765
Appropriations from (to) capital reserve for:		
Capital asset additions	9,403,090	4,792,485
Amortization	(645,179)	(582,868)
Repayment (proceeds) of long-term debt	(6,208,528)	(2,275,284)
Balance, end of year	\$ 11,545,481	\$ 8,996,098

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2008 & 2007

10. CAPITAL MANAGEMENT

Capital is comprised of the company's utility equity and long-term debt. As at December 31, 2008, the company's utility equity was \$15,865,965 and its outstanding long-term debt was \$14,878,603. The company's objectives when managing capital are to continue as a going concern to protect its ability to meet its on-going liabilities and to minimize expenditures over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum debt covenant levels and internally determined capital guidelines based on risk management policies.

The long-term debt is subject to loan covenants which require the company to maintain a minimum debt service ratio of 1.20:1 and a debt to equity ratio of 1.50:1. For the purposes of the debt to equity ratio, equity is calculated as utility equity plus 30% of contribution in aid as disclosed in note 3.

The company is in compliance with these covenants at December 31, 2008.

11. COMMITMENTS AND CONTINGENCIES

In order for the fibre optics line to be operational, additional capital expenditures will be required by the company. Management estimates additional expenditures to be \$2,725,000 of which approximately \$2,344,547 has been accrued for in these financial statements. Management anticipates the balance of the obligation will become payable in 2009.

The company has entered into an agreement with SNC-Lavalin Power Ontario Inc. for the installation of auxiliary transformers in Attawapiskat and Fort Albany, Ontario. The total obligation by the company is estimated to be \$3,661,317 inclusive of actual and pending change orders of which \$3,477,548 has been accrued for in these financial statements. Management anticipates the balance of the obligation will become payable in 2009.

The company has entered into an agreement with SNC Lavalin Power Ontario Inc. for the acquisition and installation of a second transformer in Kashechewan, Ontario. The total contract value is \$3,747,510 of which \$2,786,572 has been accrued for in these financial statements. Completion is anticipated in July 2009.

The company has agreed to pay \$50,000 per year (\$25,000 to each of Fort Albany First Nation and Kashechewan First Nation) in respect to the transmission line's right of way across the Albany 67 reserve lands near the communities of Kashechewan and Fort Albany, Ontario.

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring September 2011. Under the agreement, the company is obligated to make minimum annual payments of \$187,813 of which \$44,683 is recoverable from De Beers pursuant to a connection and cost recovery agreement.

12. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period presentation.

FIVE NATIONS ENERGY INC.
THIRD QUARTER REPORT
PERIODS ENDED SEPTEMBER 30, 2009 & 2008
(Unaudited)



Ross, Pope & Company LLP

Chartered Accountants

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REVIEW ENGAGEMENT REPORT

To the Board of Directors of Five Nations Energy Inc.

We have reviewed the balance sheet of Five Nations Energy Inc. as at September 30, 2009 and the statements of income and utility equity and cash flows for the three and nine month periods then ended. These financial statements are the responsibility of the company's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the board of directors of Five Nations Energy Inc. to assist it in discharging its regulatory and management obligations, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Ross, Pope & Company LLP

Timmins, Ontario
November 6, 2009

Ross, Pope & Company LLP
Chartered Accountants
Licensed Public Accountants

FIVE NATIONS ENERGY INC.**BALANCE SHEET****AS AT SEPTEMBER 30 & DECEMBER 31***(Unaudited)*

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
ASSETS			
CURRENT ASSETS			
Cash	\$ -	\$ 508,145	\$ 1,631,872
Accounts receivable (Note 5)	570,373	793,524	1,146,170
Prepaid expenses	69,796	150,000	205,956
	640,169	1,451,669	2,983,998
RESTRICTED DEPOSITS (Note 8)	4,000,000	4,000,000	4,000,000
CAPITAL ASSETS (Notes 1, 3)	27,214,291	26,424,084	25,259,195
	\$ 31,854,460	\$ 31,875,753	\$ 32,243,193
LIABILITIES AND UTILITY EQUITY			
CURRENT LIABILITIES			
Bank indebtedness (Note 4)	\$ 580,073	\$ -	\$ -
Accounts payable and accrued liabilities (Note 5)	553,323	1,131,184	1,722,141
Current portion of long-term debt (Note 6)	1,245,377	1,229,097	999,667
	2,378,773	2,360,281	2,721,808
LONG-TERM DEBT (Note 6)	12,715,711	13,649,506	13,958,460
	15,094,484	16,009,787	16,680,268
EQUITY IN OPERATING FUND (Notes 1, 7)	894,010	-	1,769,974
EQUITY IN INSURANCE RESERVE FUND (Note 8)	4,000,000	4,000,000	4,000,000
EQUITY (DEFICIT) IN CAPITAL RESERVE (Note 9)	(1,387,237)	320,485	(508,116)
EQUITY IN CAPITAL FUND (Note 10)	13,253,203	11,545,481	10,301,067
	16,759,976	15,865,966	15,562,925
	\$ 31,854,460	\$ 31,875,753	\$ 32,243,193

Commitments and contingencies (Note 12)

Approved by:



See accompanying notes.

FIVE NATIONS ENERGY INC.**STATEMENT OF INCOME AND UTILITY EQUITY****THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30***(Unaudited)*

	Three Months		Nine Months	
	2009	2008	2009	2008
REVENUE				
Transmission services revenue	\$ 1,298,404	\$ 1,384,348	\$ 3,815,728	\$ 3,960,986
Miscellaneous services revenue	16,615	19,786	27,217	57,434
Interest income	4,105	46,353	21,128	191,000
	1,319,124	1,450,487	3,864,073	4,209,420
EXPENSES				
Amortization	183,527	145,294	547,931	469,857
Bad debts (recovered)	-	7,669	34,224	(46,189)
Board of directors	97,547	35,325	215,638	91,839
Insurance	56,234	48,486	164,672	169,220
Interest on long-term debt	148,539	147,283	439,640	414,255
Maintenance	244,260	151,658	592,693	449,662
Office and other	48,950	96,583	162,751	195,082
Outside services	161,167	174,190	494,341	478,809
Salaries and benefits	81,157	41,003	216,648	137,506
Travel	27,704	27,450	101,525	79,405
	1,049,085	874,941	2,970,063	2,439,446
NET INCOME FROM OPERATIONS	270,039	575,546	894,010	1,769,974
UTILITY EQUITY, beginning of period	16,489,937	14,987,379	15,865,966	13,792,951
UTILITY EQUITY, end of period	\$ 16,759,976	\$ 15,562,925	\$ 16,759,976	\$ 15,562,925

See accompanying notes.

FIVE NATIONS ENERGY INC.

STATEMENT OF CASH FLOWS

THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30

(Unaudited)

	Three Months		Nine Months	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
NET INCOME FROM OPERATIONS	\$ 270,039	\$ 575,546	\$ 894,010	\$ 1,769,974
ADD ITEMS NOT REQUIRING A CASH OUTLAY:				
Amortization	183,527	145,294	547,931	469,857
DECREASE (INCREASE) IN:				
Accounts receivable	71,549	(70,870)	223,150	(279,346)
Prepaid expenses	(34,174)	(148,279)	80,204	(55,451)
INCREASE (DECREASE) IN:				
Accounts payable	18,899	633,361	(577,860)	(81,412)
Holdback payable	-	(571,498)	-	(236,062)
Cash provided by operating activities	509,840	563,554	1,167,435	1,587,560
FINANCING ACTIVITIES				
Proceeds of long term debt	-	-	-	7,002,400
Repayment of long-term debt	(304,720)	(323,454)	(917,515)	(696,872)
Cash provided by (used in) financing activities	(304,720)	(323,454)	(917,515)	6,305,528
INVESTING ACTIVITIES				
Acquisition and construction of capital assets	(505,965)	(1,356,790)	(1,338,138)	(8,080,354)
Cash used in investing activities	(505,965)	(1,356,790)	(1,338,138)	(8,080,354)
Change in cash	(300,845)	(1,116,690)	(1,088,218)	(187,266)
Cash (bank indebtedness), beginning of period	(279,228)	2,748,562	508,145	1,819,138
Cash (bank indebtedness), end of period	\$ (580,073)	\$ 1,631,872	\$ (580,073)	\$ 1,631,872
CASH FLOW SUPPLEMENTARY INFORMATION				
Interest paid	\$ 148,539	\$ 147,283	\$ 439,640	\$ 414,255

See accompanying notes.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30, 2009 & 2008

(Unaudited)

NATURE OF BUSINESS

The company owns and operates a 190 km electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario. The company is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives of the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook", which conform with Canadian generally accepted accounting principles. The accrual basis of accounting is followed for all revenues and expenses.

(b) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(c) REVENUE RECOGNITION

The company recognizes revenue from transmission services when they are received by the customer, as determined by the Independent Electricity System Operator, a not-for-profit entity established by the Government of Ontario.

(d) CAPITAL ASSETS, CONTRIBUTIONS IN AID OF CONSTRUCTION AND AMORTIZATION

All capital assets are recorded at cost. Funding received specifically for the construction of assets is credited to capital assets in accordance with Canadian generally accepted accounting principles for utilities. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors and devices	25 years
Buildings, automotive and other equipment	2 to 25 years
Contributions in aid of construction	25 to 40 years

(e) FUND ACCOUNTING

The company uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. Funds are maintained as follows:

OPERATING FUND - reports on the general transmission activities of the company.

INSURANCE RESERVE FUND - reports on the appropriated retained earnings set aside for damages to poles, fixtures, overhead conductors and devices.

CAPITAL RESERVE - reports on the appropriated retained earnings set aside for future capital improvements. The company's policy is to appropriate all operating profits to the capital reserve on an annual basis.

CAPITAL FUND - reports on the capital assets of the company, together with related financing.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

PERIODS ENDED SEPTEMBER 30, 2009 & 2008

(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The company is expected to adopt International Financial Reporting Standards effective for the year beginning January 1, 2011. The company is currently evaluating the effect of adopting these standards on their financial statements.

2. FINANCIAL INSTRUMENTS

The company's financial instruments consist of restricted deposits, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. The company's only revenue generating customer is the Independent Electricity System Operator, and , accordingly, the company does not have significant exposure.

The company's carrying value of restricted cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt issued by Pacific & Western Bank of Canada and Manulife Financial Corp. approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The carrying value of the long-term debt issued by Northern Ontario Heritage Fund exceeds the fair value of the debt since the prevailing interest rate exceeds the rate being charged. The fair market value of the debt assuming a prevailing interest rate of 5.5% per annum is approximately \$3,264,000.

3. CAPITAL ASSETS AND AMORTIZATION

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Station equipment	\$ 19,277,559	\$ 18,451,786	\$ 17,396,473
Poles and fixtures	22,496,376	23,259,546	23,517,138
Overhead conductors and devices	10,492,255	10,733,962	10,732,288
Buildings, automotive and other equipment	591,930	548,674	491,865
	52,858,120	52,993,968	52,137,764
Less: Contributions in aid of construction	25,643,829	26,569,884	26,878,569
	\$ 27,214,291	\$ 26,424,084	\$ 25,259,195

Overhead conductors and devices includes \$4,732,850, poles and fixtures includes \$4,268,835 and station equipment includes \$1,644,758 relating to a fibre optic line construction project. These assets are not being amortized. Amortization will commence upon commissioning of the line.

Contributions in aid of construction consists of Indian and Northern Affairs Canada (INAC) funding received for the acquisition and construction of station equipment, poles and fixtures and overhead conductors and devices.

Pursuant to an agreement between De Beers Canada Inc. (De Beers) and the company, De Beers will construct a transmission line between Moosonee and Kashechewan, Ontario with an expected completion date of December 2009. Upon commissioning of the line it will be transferred to the company. The cost of the asset, borne by De Beers, is approximately \$37,300,000. De Beers will reimburse the company annually for incremental costs of operating the line during the life of the Victor mine near Attawapiskat, Ontario. The life of the Victor mine is currently anticipated to be 15 years.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

PERIODS ENDED SEPTEMBER 30, 2009 & 2008

(Unaudited)

4. BANK INDEBTEDNESS

The company has an authorized operating facility of \$2,000,000 with the Pacific & Western Bank of Canada bearing interest at bank prime of which \$500,000 was utilized at September 30, 2009.

The company has an authorized operating facility of \$500,000 with the Bank of Montreal bearing interest at bank prime of which \$80,073 was utilized at September 30, 2009.

5. RELATED PARTY TRANSACTIONS

The company is related to the individual First Nations and their respective power corporations by virtue of significant influence. Accounts receivable includes the following amounts due for services in the regular course of business:

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Attawapiskat Power Corporation	\$ 14,002	\$ -	\$ -
Fort Albany First Nation	23,535	29,051	30,689
Fort Albany Power Corporation	-	486	-
Kashechewan First Nation	10,170	10,170	10,170
Kashechewan Power Corporation	80,893	83,975	80,893
	128,600	123,682	121,752
Less: Allowance for doubtful accounts	114,598	80,374	80,374
	\$ 14,002	\$ 43,308	\$ 41,378

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Attawapiskat First Nation	\$ 859	\$ -	\$ -
Attawapiskat Power Corporation	518	1,910	424
Fort Albany First Nation (Note 12)	2,083	83,333	77,083
Fort Albany Power Corporation	507	13,588	3,363
Kashechewan First Nation (Note 12)	40,682	21,932	44,015
Kashechewan Power Corporation	30,585	4,298	518
	\$ 75,234	\$ 125,061	\$ 125,403

The company purchases goods and services from the member power corporations in the normal course of operations including the following:

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Electricity	\$ 19,603	\$ 27,172	\$ 18,877
Weekly station checks	\$ 22,500	\$ 30,000	\$ 22,500
Vehicle standby charges	\$ 7,500	\$ 10,000	\$ 7,500

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

PERIODS ENDED SEPTEMBER 30, 2009 & 2008

(Unaudited)

6. LONG-TERM DEBT

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Pacific & Western Bank of Canada and Manulife Financial Corp. loan payable bearing interest at 5.5%, secured by a general security agreement, repayable in blended monthly payments of \$75,246, maturing February 2028.	\$ 10,471,088	\$ 10,713,603	\$ 10,793,127
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing and repayable in monthly principal payments of \$75,000 until October 2010 at which time interest commences at 4% per annum and becomes repayable in blended monthly payments of \$78,364, maturing August 15, 2013.	3,490,000	4,165,000	4,165,000
	13,961,088	14,878,603	14,958,127
Less: Current portion	1,245,377	1,229,097	999,667
	\$ 12,715,711	\$ 13,649,506	\$ 13,958,460

Principal payments due within the next five years and thereafter are approximately as follows:

2010	\$ 1,245,377
2011	1,219,590
2012	1,269,223
2013	1,248,280
2014	425,724
Thereafter	8,552,894
	\$ 13,961,088

7. EQUITY IN OPERATING FUND

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Balance, beginning of period	\$ -	\$ -	\$ -
Net income from operations	894,010	2,129,147	1,769,974
Appropriation to capital reserve	-	(2,129,147)	-
Balance, end of period	\$ 894,010	\$ -	\$ 1,769,974

8. EQUITY IN INSURANCE RESERVE FUND

Under the terms of the Pacific & Western Bank of Canada and Manulife Financial Corp. loan payable, the company must establish and maintain an insurance reserve fund of \$4,000,000.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

PERIODS ENDED SEPTEMBER 30, 2009 & 2008

(Unaudited)

9. EQUITY (DEFICIT) IN CAPITAL RESERVE

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Balance, beginning of period	\$ 320,485	\$ 796,853	\$ 796,853
Appropriation to capital fund	(1,707,722)	(2,549,382)	(1,304,969)
Appropriation from operating fund	-	2,073,014	-
Balance, end of period	\$ (1,387,237)	\$ 320,485	\$ (508,116)

10. EQUITY IN CAPITAL FUND

	Sep. 30 2009	Dec. 31 2008	Sep. 30 2008
Balance, beginning of period	\$ 11,545,481	\$ 8,996,098	\$ 8,996,098
Appropriations from (to) capital reserve for:			
Capital asset additions	1,338,138	9,403,090	8,080,354
Amortization	(547,931)	(645,179)	(469,857)
Repayment (proceeds) of long-term debt	917,515	(6,208,528)	(6,305,528)
Balance, end of period	\$ 13,253,203	\$ 11,545,481	\$ 10,301,067

11. CAPITAL MANAGEMENT

Capital is comprised of the company's utility equity and long-term debt. As at September 30, 2009, the company's utility equity is \$16,759,976 and it's outstanding long-term debt is \$13,961,088. The company's objectives when managing capital are to continue as a going concern to protect its ability to meet its on-going liabilities and to minimize expenditures over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum debt covenant levels and internally determined capital guidelines based on risk management policies.

The long-term debt is subject to loan covenants which require the company to maintain a minimum debt service ratio of 1.20:1 and a debt to equity ratio of 1.50:1. For the purposes of the debt to equity ratio, equity is calculated as utility equity plus 30% of contribution in aid as disclosed in note 3.

The company was in compliance with these covenants at September 30, 2009.

FIVE NATIONS ENERGY INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

PERIODS ENDED SEPTEMBER 30, 2009 & 2008

(Unaudited)

12. COMMITMENTS AND CONTINGENCIES

The construction of the fibre optics line, which commenced in 2007, consisted of two turnkey contracts. The turnkey phase of construction has been completed, however, in order for the fibre optics line to be operational, additional capital expenditures are required by the company. Management currently estimates total additional expenditures on the project to be \$3,000,000 of which approximately \$2,647,677 has been incurred to date. Management anticipates the balance will become payable during 2009.

The company has entered into an agreement with SNC-Lavalin Power Ontario Inc. for the installation of auxiliary transformers in Attawapiskat and Fort Albany, Ontario. The total obligation by the company is \$3,661,317 inclusive of actual and pending change orders of which \$3,477,548 has been incurred to date. Management anticipates the balance of the obligation will become payable during 2009.

The company has entered into an agreement with SNC Lavalin Power Ontario Inc. for the acquisition and installation of a second transformer in Kashechewan, Ontario. The total contract value is \$3,747,510 of which \$3,554,494 has been incurred to date. Completion is anticipated in December 2009.

The company has agreed to pay \$50,000 per year (\$25,000 to each of Fort Albany First Nation and Kashechewan First Nation) in respect to the transmission line's right of way across the Albany 67 reserve lands near the communities of Kashechewan and Fort Albany, Ontario.

The company has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring September 2011. Under the agreement, the company is obligated to make minimum annual payments of \$187,813 of which \$44,683 is recoverable from De Beers pursuant to a connection and cost recovery agreement.

Exhibit 1, Tab 3, Schedule 2

Pro Forma Financial Statements (2010)

Updated March 25, 2010

Five Nations Energy Inc.

2010 Proforma Financial Statements

2010 BALANCE SHEET

1000 Current Assets	
Operating Bank Account	(57,463)
Insurance Reserve (Restricted Cash)	4,000,000
1005 Cash (Total)	3,942,537
1100 Customer Accounts Receivable	614,598
1102 Accounts Receivable - Services	
1104 A/R-Recoverable Work	-
1110 Other Accounts Receivable	12,084
1130 Accum Prov. Uncollectible Acco	(114,598)
1180 Prepayments	68,508
Total Current Assets	4,523,129

1600 Electric Plant in Service	
1715 Station Equipment	22,650,176
1725 Poles and Fixtures	30,283,868
1730 Overhead Conductors and Device	13,533,939
1908 Buildings and Fixtures	384,767
1910 Leasehold Improvements	27,741
1915 Office Furniture and Equipment	55,256
1920 Computer Equipment - Hardware	151,074
1925 Computer Software	8,705
1930 Transportation Equipment	332,189
1940 Tools, Shop and Garage Equipme	139,565
1995 Contributions&Grants-Credit	(34,285,460)
Total Electric Plant in Service	33,281,819

2105 Accumulated Amortization	
2105 Total Accumulated Amortization	(5,589,739)
Total Amortization	(5,589,739)

TOTAL ASSETS	32,215,209
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2200 Current Liabilities	
2205 Accounts Payable	1,162,324
2220 Miscellaneous Current and Accr	289,198
2260 Current Portion-Long Term Debt	345,377
2290 Commodity Taxes	19,200
Total Current Liabilities	1,816,098

2500 Long Term Debt	
2520 Other Long Term Debt	12,418,309
Total Long Term Debt	12,418,309

TOTAL LIABILITY	14,234,407
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3000 Utility Equity	
Equity in Capital Fund	14,732,737
Equity in Capital Reserve	
Equity in Insurance Reserve Fund	4,000,000
3040 Appropriated Retained Earnings	18,732,737
3045 Unappropriated Retained Earnings	(493,103)
Balance Transferred from Income-to capital fund	195,657
3046 Balance Transferred from Income-Unappropriated	(454,489)
Total Equity	17,980,801

TOTAL EQUITY	17,980,801
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TOTAL LIABILITIES AND EQUITY	32,215,209
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BALANCE SHEET TOTAL	0
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2010 INCOME STATEMENT

Revenue	
4105 Transmission Charges Revenue	4,978,000
4235 Miscellaneous Service Revenues	50,000
4405 Interest & Dividend Income	50,000
Total Revenue	5,078,000

Expenses

4800 Transmission Expenses-Operation	
4810 Load Dispatching	238,680
4815 Station Buildings&FixturesExpe	104,244
4820 TransformerStnEquip. OperLabour	189,200
4850 Rents	102,000
Total Transmission Operation Expense	634,124

4900 Transmission Expenses-Maintenance	
4916 Maintenance-Transformer Station Equipment	348,000
4930 Maintenance of Towers, Poles and Structures	120,000
Total Transmission Maintenance Expense	468,000

5300 Billing and Collecting	
5335 Bad Debt Expense	
Total Billing and Collecting	-

5400 Community Relations	
5410 Community Relations - Sundry	86,000
5415 Energy Conservation	30,000
5420 Community Safety Program	9,000
Total Community Relations	125,000

5600 Administrative&General Expense	
5605 Executive Salaries and Expense	665,500
5610 Management Salaries & Expenses	207,500
5615 General AdminiSalaries&Expense	115,700
5620 Office Supplies and Expenses	23,500
5630 Outside Services Employed	503,333
5635 Property Insurance	88,955
5640 Injuries and Damages	140,000
5655 Regulatory Expenses	343,000
5665 Miscellaneous General Expenses	30,000
5610 5670 Rent	34,020
5675 Maintenance of General Plant	7,500
Total Administrative&General Expenses	2,159,008

5700 Amortization Expense	
5705 Amort.Exp.-Property, Plant&Equipment	1,187,400
Total Amortization Expense	1,187,400

6000 Interest Expense	
6005 Interest on Long Term Debt	762,300
6035 Other Interest Expense	1,000
Total Interest Expense	763,300

Total Expenditures	5,336,832
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Net income	(258,832)
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Exhibit 1, Tab 3, Schedule 3

Reconciliation

RECONCILIATION OF OM&A TO FINANCIAL STATEMENTS

FNEI's 2010 Proforma Financial Statements (available at Exhibit 1, Tab 3, Schedule 2) shows the OM&A expenses for 2010 is \$3,261,132 which is the sum of Transmission Operation Expenses, Transmission Maintenance Expenses, and Administrative & General Expenses.

The OM&A figure used in this application is \$3,386,100 (see Exhibit 4, Tab 2, Schedule 3). This variation can be reconciled with the actual OM&A as shown in *Table 1-3-3 A* below.

Table 1-3-3 A – Reconciliation of OM&A to Proforma Financial Statements

	2010 Test Year (\$)
Total OM&A per Proformas	3,261,132
Reconciling Items:	
<i>Community Relations</i>	125,000
<i>Rounding</i>	(32)
Adjusted OM&A	3,386,132
Total OM&A per Application	3,386,132

The reconciling item reflected in the table is described below.

Community Relations is the net of FNEI's expenses related to continued successful operations in the communities of the three non-industrial customers. This cost includes contributions toward a sundry fund, an energy conservation program, and a safety program. In FNEI's Proforma Financial Statements, this amount is a separate item, but it is included as an element of administration in this application because FENI is seeking to recover this cost.

Exhibit 1, Tab 4, Schedule 1

Materiality Threshold

MATERIALITY THRESHOLD

An applicant must provide justification for changes from year to year to its rate base, capital expenditures, OM&A and other items above a materiality threshold. The materiality thresholds differ for each applicant, depending on the magnitude of the revenue requirement.

FNEI's revenue requirement is equal to \$6,466,100. In accordance with Chapter 2 of the *Filing Requirements for Transmission and Distribution Applications*, dated May 27, 2009, the default materiality threshold for distributors¹ with a revenue requirement less than or equal to \$10 million is \$50,000. Therefore FNEI's materiality threshold is \$50,000.

¹ Although FNEI is a transmitter, FNEI assumes that the same thresholds will apply.

Exhibit 2, Tab 1, Schedule 1

Rate Base Overview

RATE BASE OVERVIEW

1.0 Summary of Rate Base

As indicated in Exhibit 2, Tab 1, Schedule 2, FNEI's rate base for 2010 has been forecasted to be \$28.688 million, being the total of the average of the forecasted opening and closing net fixed assets (\$28.180 million) and an allowance for working capital (\$507,800). The details of FNEI's significant rate base additions are discussed below.

2.0 Capital Expenditures

2.1 Capital Expenditure Budgeting Process and Asset Management Approach

For a discussion of FNEI's approach to asset management and capital budgeting, please refer to Exhibit 2, Tab 13, Schedule 1.

2.2 Capital Expenditure Projects

Below are descriptions of FNEI's capital expenditures (since FNEI's transmission system came into service in 2001) that exceed a materiality threshold of \$50,000 (see Exhibit 1, Tab 4, Schedule 1). The in-service date of each capital expenditure described in this section occurred between 2003 and 2009 (inclusive).

1 The project descriptions are organized as follows:

2

Project Identifier	Description
#1	Transformer Moving Equipment
#2	Attawapiskat Garage
#3	Accommodation of APC's Second Distribution Feeder
#4	Fort Albany Spare Circuit Switcher and CVT
#5	Kashechewan Garage
#6	Attawapiskat 2 nd Transformer Energization Project
#7	Ice Protection Berm Walls
#8	ARGOs – Amphibious All Terrain Vehicles
#9	Fort Albany 2 nd Transformer Energization Project
#10	Structure 908 Erosion Control
#11	Fort Albany Garage
#12	Station Civil Upgrades 2009
#13	Kashechewan Second Transformer Energization Project
#14	Fibre Optic Telecommunications

3

PROJECT #1	Transformer Moving Equipment
Start Date	April 2003
In-Service Date	April 30, 2003
Net Capital Expenditure	\$61,905.00

Project Description:

This project involved the purchase of a 40-foot steel container containing large timbers, hydraulic pumps and jacks, and steel rails to be used to manually move the more than 30-tonne transformer in the event of a transformer failure.

The original line and substation construction project saw the provision of a second transformer in Fort Albany, however this spare transformer was not connected to the system. In the event of a failure of the main transformer, there had to be a way to remove the existing 30-tonne transformer and move the spare transformer in place. The communities are not equipped with heavy work equipment or cranes, and there are no roads for moving such equipment to the sites (with the exception of a possible 10 week period of winter road which would require major ice re-enforcement for river crossings). Relocation of the 30-tonne transformer had to be engineered using materials that could be stored at the site and assembled when needed.

Now, with the transformer-moving equipment on-site, FNEI can remove a failed transformer and install the spare in approximately ten days. Without the on-site availability of the equipment, the outage duration would easily be in excess of 20 to 30 days, while FNEI arranged for large aircraft delivery once it acquired the equipment. The estimated cost of replacement on an

1 emergency basis without the transformer moving equipment would be the cost of this equipment,
2 plus the cost of it flying it up(typically \$1 to \$2 per pound). The total cost would be significantly
3 higher than the on-site alternative chosen by FNEI.

4
5 Mammoet is the world's leader in moving heavy equipment. This vendor was able to provide a
6 complete containerized package with everything required to move the transformer. Providing the
7 package in a container ensured that the materials remain secure and in one place ready to be used
8 in case of emergency. FNEI elected to stay with this experienced contractor to ensure that the
9 proper equipment was stored at each site.

PROJECT #2	Attawapiskat Garage
Start Date	June 1, 2004
In-Service Date	November 30, 2004
Net Capital Expenditure	\$183,163.99

Project Description:

This project involved the supply and construction of a 32'x 40'x 18' steel Quonset-style garage for the storage and maintenance of the line truck and other FNEI equipment at the Attawapiskat substation.

Attawapiskat is the last substation at the northern end of the 275km transmission line and there are no suitable commercial garages available to FNEI in the area. A garage was required to protect the line truck from theft and vandalism. The garage also provides a heated place for work crews doing regular or emergency maintenance on either the station or the line to meet, to prepare tools and equipment, and carry out any other tasks.

Prior to building the garage, FNEI contemplated constructing a steel shell building without a cement floor and without insulation to serve this purpose. It also considered renting space from the Attawapiskat First Nation Technical Services. These options were rejected as unsuitable to FNEI's short-term and long-term requirements.

Prior to construction of the garage, the line truck was parked outside within the substation yard and susceptible to vandalism.

FNEI attempted to minimize costs by using a contractor who understood the unique challenges of constructing a building such as this in a remote First Nation community. All other labour was sourced locally from the community to avoid travel and accommodation costs. All equipment was sourced and operated locally saving mobilization and demobilization costs. The timing of delivery of the materials was coordinated to the barge schedules to avoid having to fly materials into Attawapiskat at a much higher cost.

The costs associated with this project can be broken-down as follows:

• Labour and Accommodation:	\$66,479.48
• Freight and Travel:	\$41,099.87
• Materials:	<u>\$87,388.16</u>
	\$183,163.99

PROJECT #3	Accommodation of APC's Second Distribution Feeder
Start Date	July 31, 2004
In-Service Date	October 31, 2004
Net Capital Expenditure	\$280,613.08

Project Description:

In 2004, Attawapiskat Power Corporation ("APC") required a second distribution feeder from FNEI's Attawapiskat substation to address the increased demand of APC's customers.

Modifications to FNEI's substation were required to accommodate APC's capital project, including modifications to FNEI's station yard and the station control building and the installation of a second low voltage breaker, controls, cabling to a new regulator, and related construction.

This was a fixed price contract with PowerTel Utilities Contractors Ltd. ("PowerTel").

PowerTel was the contractor that constructed the original three FNEI substations. As such, FNEI's view was that PowerTel was well-informed on the requirements of this project. FNEI controlled costs by closely supervising the design, supply and construction phases of the project to ensure that the most efficient design was used, that equipment compatible with existing station equipment was sourced, and that cost overruns during construction were avoided.

PROJECT #4	Fort Albany Spare Circuit Switcher and CVT
Start Date	October 7, 2005
In-Service Date	October 7, 2005
Net Capital Expenditure	\$78,317.00

Project Description:

This project involved the supply of a spare circuit switcher and related parts at FNEI's Fort Albany substation.

The circuit switcher is a mechanical device that physically disconnects the high voltage supply within the substation yard. As such it has contacts and other moving parts that can wear out over time. The switch is a critical component crucial to connecting transformers and reactors to the high voltage supply. Due to the remote location and the extreme difficulty of doing field repairs should a component break, it was decided to purchase a complete spare. Also, because of its overall size and weight, a replacement switcher can only be transported by winter road (open approximately ten weeks of the year) or by barge (normally only one or two trips in mid-summer). The lead time for delivery of a new switch is approximately twelve weeks or more. With a spare switcher on site, if a failure occurs, repairs can be done on a single trip to Fort Albany. This switcher is also compatible with the two other substations and smaller components can be moved by air if an emergency occurred in one of the other two communities due to a failure in one of the other sites.

1 In the event of a circuit switcher failure or failure of one of the components power can be quickly
2 restored by installing the complete spare. In Fort Albany, if a switch failed, the community
3 faced the risk of a very long outage, potentially weeks, while a replacement unit was ordered,
4 disassembled, parts that were suitable for aircraft transportation moved in, those parts then re-
5 assembled and installed. Given that there is no backup diesel supply for Fort Albany (as there is
6 in Attawapiskat and Kashechewan), this risk was unacceptable and restoration costs under such
7 emergency conditions would be very high.

8
9 The costs associated with this project can be broken-down as follows:

10	• Materials:	\$69, 504.86
11	• Delivery:	<u>\$8,812.00</u>
12		\$78,317.00

13
14 FNEI has capitalized this equipment in accordance with the Accounting Procedures Handbook
15 (the “APH”). According to the Board’s *Frequently Asked Questions* (October 2009): “Other
16 designated asset items that meet the definition of major spares or standby assets in accordance
17 with the APH five-part test in Article 510 (at page 10) are also classified in PP&E and amortized
18 when available for use.”
19

1 The five-part test in Article 510 of the APH is as follows:

2 a) the spare transformers and meters are not intended for resale and cannot be classified
3 as inventory in accordance with CICA Handbook Section 3030;

4 b) the spare transformers and meters have a longer period of future benefit than
5 inventory items have;

6 c) the spare transformers and meters form an integral part of the original distribution
7 plant by enhancing the system reliability of the original distribution plant;

8 d) the spare transformers and meters provide future benefits because they are expected
9 to be placed in service; and

10 e) the accounting treatment of spare transformers and meters as capital assets is
11 consistent with the regulatory treatment of spare transformers and meters.

12 This project satisfies all five parts of this test.

PROJECT #5	Kashechewan Garage
Start Date	February 10, 2006
In-Service Date	October 31, 2006
Net Capital Expenditure	\$64,177.61

Project Description:

This project involved the construction of a 16'x 26'x 12' steel Quonset-style garage located at the airport in Kashechewan.

FNEI required the garage for a pickup truck in Kashechewan for its transportation requirements within the community. The substation is approximately ½ a mile from the airport and when crews arrive in Kashechewan transportation is required to drive to the substation. A garage is required to protect the vehicle from theft and vandalism as well as a place to plug in its block heater during the winter, where temperatures are as low as -40C.

Prior to building the garage, FNEI relied on the local distribution company providing transportation as required. FNEI paid Kashechewan Power Corporation a standby charge of \$5,000.00 per year for emergency use only. This proved to be problematic as a vehicle was not consistently available. As part of the berm wall construction projects (see Project # 7 below), FNEI required a vehicle in Kashechewan to travel to and from the work sites. Typical rental charges for trucks in Kashechewan range from \$100 to \$200 per day. The duration of the various projects in Kashechewan would have resulted in huge rental charges had FNEI not stationed a vehicle in Kashechewan.

1
2 With the construction of this garage, FNEI is now able to safely store a pickup truck at the
3 airport in Kashechewan, allowing FNEI personnel to respond to emergencies at any hour. FNEI
4 has also been able to use the vehicle to transport building materials up and down the winter road
5 using a 26 foot enclosed trailer.

6
7 FNEI attempted to minimize costs by using a contractor who understood the unique challenges
8 of constructing a building such as this in a remote First Nation community. All other labour was
9 sourced locally from the community to avoid travel and accommodation costs. All equipment
10 was sourced and operated locally saving mobilization and demobilization costs. The timing of
11 delivery of the materials was scheduled to use the winter road as well as the barge in order to
12 avoid having to fly materials to Kashechewan at a much higher cost.

13
14 The costs associated with this project can be broken-down as follows:

- | | | |
|----|-----------------------------|---------------------|
| 15 | • Labour and Accommodation: | \$23, 539.64 |
| 16 | • Freight and Travel: | \$8,200.51 |
| 17 | • Materials: | <u>\$32, 437.46</u> |
| 18 | | \$64,177.61 |

PROJECT #6	Attawapiskat 2nd Transformer Energization Project
Start Date	November 30, 2005
In-Service Date	October 31, 2007
Net Capital Expenditure	\$2,030,947.26

Project Description:

Between 2005 and 2007, FNEI worked to connect and energize a second transformer to the Attawapiskat Transformer Station system. Prior to the completion of this project, electricity supply to the community of Attawapiskat was entirely dependent on the existing transformer. In the event of a failure of that transformer, or during maintenance activities, electricity supply to the community of Attawapiskat would be interrupted. The second transformer allows instantaneous switch-over between transformers for emergency and maintenance purposes without significantly interrupting supply to Attawapiskat.

In order to complete the project, FNEI was required to, among other things: modify the station yard; install a high voltage bus; obtain new switchgear for paralleling transformers; expand the control room; and obtain new SCADA.

The original construction project saw the delivery of a spare transformer to the Fort Albany substation yard, which was not connected to the system at that time. In the original capital program of 1999, the cost of actually connecting the spare transformer at both Attawapiskat and Fort Albany could not be funded along with the original construction of the three substations and

1 the 290 km of new transmission line. Thus, the decision was made to provide a spare unit at
2 these two sites, to serve as available replacements. After seven years, in an effort to improve
3 upon this single contingency status, FNEI adopted a three-year plan to connect and energize the
4 spare transformer.

5
6 By connecting the spare transformer, FNEI has helped avoid the numerous pitfalls that would
7 result from a failure of the main transformer. FNEI estimated that it could take over ten days to
8 disconnect and remove the failed thirty-ton transformer and move the spare transformer in place
9 to connect to the system. During this period, the community would be without a grid supply of
10 electricity and FNEI would be forced to rely on its old diesel generators. In addition, regular
11 maintenance checks could not be performed without taking an outage and disconnecting the
12 community from the electricity supply. With this project completed, the supply can be switched
13 from one transformer to the other without any interruption in service.

14
15 This project has greatly improved service reliability for FNEI's customers. Recently, FNEI
16 encountered a problem with a relay on the original transformer. Because of this project, FNEI
17 was able to transfer the load to the spare transformer remotely without affecting the community
18 of Attawapiskat. In another instance, FNEI was required by the insurance company to perform
19 testing on the original transformer. FNEI was able to complete the testing without causing an
20 outage and affecting customers. In the event of a failure of either transformer, load now can be
21 picked up without resulting in a major outage as would have been required previously.

FNEI's intention has always been to bring its system up to a standard common to all utilities across the province. Having spare transformers is standard practice for utilities in Ontario. For example, Hydro One Networks' Board-approved transmission revenue requirement includes a reserve pool of transformers available in case of emergency (EB-2008-0272).

The costs associated with this project can be broken-down as follows:

• SNC Fixed Price Contract:	\$1,853,439.00
• Additional Costs for IESO Metering:	\$25,026.00
• Larger Control Room Costs:	\$125, 000.00
• Misc. Civil Costs:	<u>\$27,482.26</u>
	\$2,030,947.26

PROJECT #7	Ice Protection Berm Walls
Start Date	January 26, 2004
In-Service Date	July 31, 2008
Net Capital Expenditure	\$892,499.18

Project Description:

This project involved the construction of a number of berm walls. It was required to protect FNEI's transmission line and substations which are located in the James Bay lowlands. The Albany River flows past the communities of Fort Albany and Kashechewan through various channels and tributaries. It is crossed by FNEI's transmission line at several locations. During the spring ice break-up period, river ice from the length of the Albany River flows past these communities into James Bay. It is common for the river to break-up while the ice in James Bay remains solid. This broken ice flows downstream until it reaches the solid ice at the mouth of the river where it jams, forms a dam, and causes the water level in the river to rise significantly. At certain points along the Albany River, the water can rise between twenty and thirty feet, placing several pole structures in jeopardy from flowing pieces of ice.



Example of ice flow found at north channel of Albany River

Berm walls were constructed by sinking hydro poles into the ground vertically to a depth of approximately ten feet, leaving between fifteen and twenty feet of the poles above ground. Poles were then bolted horizontally onto these upright poles, the entire structure was anchored, and everything was backfilled to form a solid wall protecting the base of the pole. In some locations, steel guard rail material (the same material used along highways) was bolted horizontally onto the uprights. A total of six individual pole structures were constructed in this way. In one

1 location, due to the height of the berm wall, FNEI constructed a chain link fence to keep all-
2 terrain vehicles and snowmobiles, as well as hikers, from travelling under the transmission line.



4
5 *Newly constructed ice berm wall protecting structure 909 on north side of the Albany River*

6
7 This project helps FNEI protect its assets from damage and maintain supply to its communities.
8 In 2006, for instance, the Albany River rose to record heights and caused the evacuation of
9 Kashechewan. While two pole structures near Kashechewan broke because of ice flows (these

1 were easily repaired by local line-workers under the supervision of FNEI once waters receded)
2 the main three-pole river crossing remained unharmed due to the berm wall construction that had
3 been completed the previous summer. Had FNEI not constructed the berm walls, the main
4 Albany River crossing (a crossing in excess of 500 metres) would likely have been torn down,
5 resulting in an extended interruption of supply and exorbitant repair costs. FNEI would have
6 been unable to supply 12–18 MW of customer load until restoration (which would have taken
7 months due to the remoteness of location).

8
9 FNEI attempted to minimize costs by using a contractor who understood the unique challenges
10 of construction projects in a remote First Nation community. All other labour was sourced
11 locally from the community to avoid travel and accommodation costs. All equipment was
12 sourced and operated locally saving mobilization and demobilization costs. The timing of
13 delivery of the materials was scheduled to use the winter road as well as the barge in order to
14 avoid having to fly materials in at a much higher cost.

15
16 Construction of these berm walls began in 2004. All berm walls were completed by July 31,
17 2008.

1 The costs associated with this project can be broken-down as follows:

2	• Labour and Accommodation:	\$375,468.64
3	• Freight and Travel:	\$168,930.24
4	• Equipment Rentals:	\$51,047.23
5	• Materials:	<u>\$297,053.07</u>
6		\$892,499.18

PROJECT #8	ARGOs – Amphibious All Terrain Vehicles
Start Date	August 13, 2008
In-Service Date	September 30, 2008
Net Capital Expenditure	\$69,003.80

Project Description:

FNEI purchased two ARGOS (all-terrain amphibious vehicles) in 2008. The ARGOS are for patrolling the transmission line and performing maintenance on FNEI's transmission line. Two enclosed utility trailers were also purchased for transportation and storage of the ARGOS.

The FNEI transmission line spans large areas of swamp and muskeg terrain. Prior to the purchase of the ARGOS, accessibility by ground vehicle to the portions of the transmission line over swamp and muskeg terrain was only possible during the winter when the ground was frozen. Unfortunately, it is not possible to straighten poles during the winter as they are frozen solid. The ARGOS allow FNEI's crews to straighten poles and do other maintenance during the fall before the freeze-up.

FNEI considered renting the ARGOS, however the rental charges were equal to the cost of purchasing the vehicles once transportation to and from the remote location was factored in, as well as the fact that there are only two opportunities a year to transport vehicles like this. For example, for a fall patrol, the vehicle would have to be shipped to one of the locations by barge in the summer time usually some time between June and September. There is usually only one

1 barge per season so this vehicle would then have to be stored until the winter road season in mid-
2 January. The rental quotation received for this duration was equal to the cost of purchasing a
3 unit. FNEI obtained three competitive quotes from different suppliers and purchased the ARGOS
4 based on the lowest quote.

5
6 With the ARGOS, FNEI is able to conduct two patrols, one in the fall of 2008 north of
7 Kashechewan and one in the fall of 2009 south of Fort Albany. Several hundred poles are
8 checked and numerous guy wires re-tensioned to straighten them. On each patrol, FNEI is also
9 able to identify several anchors that needed to be reset and were able to do so before it became a
10 serious issue.

1

PROJECT #9	Fort Albany 2nd Transformer Energization Project
Start Date	February 21, 2006
In-Service Date	October 31, 2008
Net Capital Expenditure	\$1,861,736.84

2

3 **Project Description:**

4 Between 2006 and 2008, FNEI worked to connect and energize a second transformer to the Fort
5 Albany Transformer Station system. Prior to the completion of this project, electricity supply to
6 the community of Fort Albany was entirely dependent on the existing transformer. In the event
7 of a failure of that transformer, or during maintenance activities, electricity supply to the
8 community of Fort Albany would be interrupted. The second transformer allows instantaneous
9 switch-over between transformers for emergency and maintenance purposes without interrupting
10 supply to Fort Albany.

11

12 In order to complete the project, FNEI was required to, among other things: modify the station
13 yard; install a high voltage bus; obtain new switchgear for paralleling transformers; expand the
14 control room; and obtain new SCADA.



Expanded control room for Fort Albany's 2nd transformer

The original construction project saw the delivery of a spare transformer to the Fort Albany substation yard, which was not connected to the system at that time. In the original capital program of 1999, the cost of actually connecting the spare transformer at both Attawapiskat and Fort Albany could not be funded along with the original construction of the three substations and the 290 km of new transmission line. Thus, the decision was made to provide a spare unit at these two sites, to serve as available replacements. After seven years, in an effort to improve

1 upon this single contingency status (which could jeopardize reliability), FNEI adopted a three-
2 year plan to connect and energize the spare transformer.

3
4 By connecting the spare transformer, FNEI has helped avoid the numerous pitfalls that would
5 result from a failure of the main transformer. FNEI estimated that it could take over ten days to
6 disconnect and remove the failed thirty-ton transformer and move the spare transformer in place
7 to connect to the system. During this period, the community would be without a grid supply of
8 electricity and the community would be forced to rely on its old diesel generators. In addition,
9 regular maintenance checks could not be performed without taking an outage and disconnecting
10 the community from the electricity supply. With this project completed, the supply can be
11 switched from one transformer to the other without any interruption in service.

12
13 This project has greatly improved reliability of service for FNEI's customers. Recently, FNEI
14 encountered a problem with a relay on the original transformer. Because of this project, FNEI
15 was able to transfer the load to the spare transformer remotely without affecting the customers in
16 Fort Albany. In another instance, we were required by the insurance company to perform testing
17 on the original transformer. We were able to complete the testing without causing an outage and
18 affecting our customers. In the event of a failure of either transformer, load now can be picked
19 up without resulting in a major outage as would have been required previously.

FNEI's intention has always been to bring its system up to a standard common to all utilities across the province. Having spare transformers is standard practice for utilities in Ontario. For example, Hydro One Networks' Board-approved transmission revenue requirement includes a reserve pool of transformers available in case of emergency (EB-2008-0272).

The costs associated with this project can be broken-down as follows:

• SNC Fixed Price Contract:	\$1,640,520.27
• Additional Costs for IESO Metering:	\$27,132.00
• Larger Control Room Costs:	\$125, 000.00
• Misc. Civil Costs:	<u>\$69,084.57</u>
	\$1,861,736.84

PROJECT #10	Structure 908 Erosion Control
Start Date	April 1, 2005
In-Service Date	April 18, 2008
Net Capital Expenditure	\$153,516.61

Project Description:

Structure 908 is the triple pole structure on the south side of the Albany River (the southern part of the longest river crossing on the FNEI transmission line). Inspections, which were carried out twice a year since the line was constructed in 2001, showed that the river bank was eroding each spring. This issue, if left unchecked, would have eventually compromised the anchors securing the triple pole structure. This structure supports the south end of the over 500 metre main Albany River crossing.

Should this structure fail and the wires crossing the Albany River go down, an extended outage north of this point (i.e., Kashechewan, Attawapiskat and the Victor Mine) would have resulted. Repair estimates are in the several hundred thousand dollar range and could take several months depending on the season due to the difficulty in accessing this location, the lead time in sourcing the materials required to complete the repairs, and the expanse of the crossing. Prior to this work, if this crossing had failed for whatever reason, FNEI would have been unable to supply 12 – 18 MW of customer load until restoration was completed. An undelivered energy factor of 1 million MW minutes was probable. In October 2009, a second circuit also went into service to reduce the impact of losing one circuit.

1 This project required engineering and local investigation in order to correct the correction the
2 erosion issue. Initial engineering solutions were based on the assumption that the bank was
3 eroding due to ice coming down the Albany River during annual break-up (one temporary
4 solution involved piling numerous loads of rock into the washed out area). After extensive
5 discussions with local experts and closer observation and investigation during the spring of 2006,
6 it was determined that the spring runoff was washing out the bank, not ice from the river break-
7 up. A trench was dug to allow the spring run off from the melting snow to bypass the triple pole
8 structure and drain into the river further downstream. Without this work, the river bank would
9 have eroded to the point that FNEI would have been forced to relocate the entire structure further
10 away from the river bank. This work would likely have cost hundreds of thousands of dollars.
11 Now that the reason for the erosion has been identified, all that is required going forward is an
12 annual inspection and maintenance of the trench in the fall to ensure that the spring melt will
13 flow properly.

14
15 In terms of alternatives, vertical steel sheet piling was originally suggested as a possible solution.
16 However, the sourcing of this volume of steel would have proved very costly (easily in excess of
17 \$850,000) and would have required a long lead time for ordering.

18 The costs associated with this project can be broken-down as follows:

- | | | |
|----|--------------------------------------|---------------------|
| 19 | • Labour and Accommodation: | \$32,645.22 |
| 20 | • Engineering and contracting costs: | <u>\$73,872.59</u> |
| 21 | | \$106,517.81 |

PROJECT #11	Fort Albany Garage
Start Date	January 2, 2008
In-Service Date	September 30, 2009
Net Capital Expenditure	\$117,349.93

Project Description:

This project involved the supply and construction of a 16'x 30'x 13'8'' steel Quonset-style garage for the storage and maintenance of a pickup truck at the substation in Fort Albany.

Fort Albany is a remote First Nation community approximately 250 air miles north of Timmins and is accessible only by air with the exception of a winter road for two months and by barge during the summer months. There are no suitable commercial garages available to FNEI in the area. A garage was required to protect the truck from theft and vandalism. The garage also provides a heated place to park the truck and a place for work crews doing regular or emergency maintenance on either the station or the line to meet, prepare tools and equipment, and carry out other related work (temperatures in this area are often as low as -40C).

Initially FNEI relied on renting a vehicle in Fort Albany. However, a vehicle could not always be consistently obtained. FNEI had purchased a four wheel drive pickup truck in July of 2006 for use in and around Timmins. In January of 2008 it was decided to relocate this vehicle and station it in Fort Albany. There were no garages or other buildings available for rent and the garage buildings in Attawapiskat and Kashechewan had worked very well for FNEI.

1 Construction of this garage began with the sourcing of the materials in January of 2008 and the
2 delivery of the garage package and related materials to Fort Albany during the winter road
3 transportation season. This garage was substantially complete in the summer of 2008. Prior to
4 construction of the garage, the truck was parked outside at the local bed and breakfast.

5
6 FNEI attempted to minimize costs by using a contractor who understood the unique challenges
7 of constructing a building such as this in a remote First Nation community. All other labour was
8 sourced locally from the community to avoid travel and accommodation costs. All equipment
9 was sourced and operated locally saving mobilization and demobilization costs. The timing of
10 delivery of the materials was coordinated to the barge schedules to avoid having to fly materials
11 to Fort Albany at a much larger cost.

12
13 The costs associated with this project can be broken-down as follows:

- | | | |
|----|-----------------------------|---------------------|
| 14 | • Labour and Accommodation: | \$75,230.92 |
| 15 | • Freight and Travel: | \$14,578.92 |
| 16 | • Materials: | <u>\$27,540.09</u> |
| 17 | | \$117,349.93 |

PROJECT #12	Station Civil Upgrades 2009
Start Date	January 28, 2009
In-Service Date	September 30, 2009
Net Capital Expenditure	\$120, 319.43

Project Description:

For this project, FNEI completed upgrades to the three remote substations in Attawapiskat, Kashechewan and Fort Albany. They were needed to address safety concerns and enhance energy efficiency at these locations.

Gates (both vehicle entry and personnel gates) could not be installed right to ground level as snow would block the ability to open a gate. While the FNEI station gates were at code, the ability to dig under them became an issue. FNEI had an incident in the summer of 2008 where two children were able to remove gravel from under a gate and make their way inside the substation in Kashechewan. One of the children was subsequently seriously injured. FNEI addressed this safety concern by pouring concrete pads under the gates at each substation and installing additional fencing. By installing a concrete pad along the width of the gate, the maximum clearance to ground could be sustained and would prevent access by crawling under the gate.

With regard to energy efficiency, the new control buildings were delivered to site in winter 2007 in Attawapiskat and winter 2008 in Fort Albany and installed without insulation in the floor

(these buildings were designed to go on a foundation, so no actual floor insulation was provided by the manufacturer). FNEI places these buildings on an elevated foundation to deal with potential flood issues, thus providing added protection for critical electronic equipment. FNEI installed insulated skirting which helps cut down on the amount of heat loss through the floor and help control heating and air conditioning costs. This also gave FNEI additional storage space for larger materials – keeping them secure (portable standby generators or extension ladders) and not exposed to rain and snow.

FNEI attempted to minimize costs by using a contractor who understood the unique challenges of constructing a building such as this in a remote First Nation community. All other labour was sourced locally from the community to avoid travel and accommodation costs. The timing of delivery of the materials was coordinated to the winter road season to avoid having to fly materials at a much higher cost.

The costs associated with this project can be broken-down as follows:

• Labour and Accommodations:	\$76,448.51
• Freight and Travel:	\$17, 040.54
• Materials:	<u>\$26, 830.38</u>
	\$120, 319.43

PROJECT #13	Kashechewan Second Transformer Energization Project
Start Date	September 30, 2007
In-Service Date	November 30, 2009
Net Capital Expenditure	\$3,840,470.98

Project Description:

Between 2007 and 2009, FNEI worked to source, connect and energize a second transformer at the Kashechewan Transformer Station. Prior to the completion of this project, electricity supply to the community of Kashechewan was entirely dependent on the existing transformer. In the event of a failure of that transformer, or during maintenance activities, electricity supply to the community of Kashechewan would be interrupted. This second transformer allows instantaneous switch-over between transformers for emergency and maintenance purposes without interrupting supply to Kashechewan.

In order to complete the project, FNEI was required to, among other things: modify the station yard (provide a concrete base and oil spill containment pit); install a high voltage bus; improve cabling; and obtain new switchgear for paralleling transformers.

The original transmission line project was did not have the funds to obtain and connect spare transformers in all three sites. In December of 1997, Kashechewan's new diesel generating station became operational. As this installation was relatively new and had sufficient capacity for several years of load growth in Kashechewan (as compared to the much older diesel systems in

1 Fort Albany and Attawapiskat), it was decided to provide spare transformers for Attawapiskat
2 and Fort Albany before Kashechewan. As time went on, the load in the community grew beyond
3 the capacity of the diesel system and after seven years with this single contingency, FNEI
4 adopted a three-year plan to source a second transformer for Kashechewan and connect the spare
5 transformers in the other two locations.

6
7 By connecting the spare transformer, FNEI will help avoid the numerous pitfalls that would
8 result from a failure of the main transformer. FNEI estimated that it could take four to six
9 months to source a replacement transformer. During this time, the community would be without
10 a grid supply of electricity and would rely on the diesel generators. This would result in
11 extremely high cost of electricity supply for the community (in excess of 50-cents per kWh) and
12 require the transport of large quantities of diesel fuel to the community (fuel consumption would
13 likely be between 7,000 to 10,000 litres per day).

14
15 SNC Lavalin is the contractor and engineering firm that was responsible for the original project
16 construction. FNEI worked closely with SNC Lavalin to identify the most cost effective source
17 for the new transformer. Five quotes were received and the quote that was eventually chosen
18 was one that provided the best combination of price and value. The construction schedule was
19 designed in a way to use the most economical method of transporting the transformer and related
20 materials. FNEI was able to have the required civil work in the new substation yard be done as

1 in coordination with the upgrades required to connect the De Beers Victor Diamond Mine. This
2 saved FNEI the costs of mobilizing and demobilizing a second contractor.

3
4 FNEI was also able to ensure that a control room large enough for the required equipment was
5 constructed as part of the DeBeers Victor Mine. De Beers Canada is the operator of the Victor
6 Diamond Mine approximately 100 km west of Attawapiskat. In order to provide sufficient
7 electricity for the mine's operations De Beers Canada was required to twin the existing
8 transmission line from Otter Rapids Generating Station south of Moosonee to Kashechewan (the
9 IESO required this in order to reduce the amount of line losses on the existing transmission
10 lines). In order to facilitate this significant modifications had to be made in both the Fort Albany
11 and Kashechewan stations. FNEI took advantage of this work by requesting modifications to the
12 design of these changes in Kashechewan that would easily and cost-effectively allow the
13 addition of a second transformer at the Kashechewan substation.

14
15 This project has greatly improved service reliability for FNEI's customers. In the event of a
16 failure of either transformer, load can be picked up without a major outage. Previously, the
17 failure of the single transformer would have required several months of electricity produced by
18 diesel generation. In addition, the regular testing of FNEI's transformers (for insurance
19 purposes) can now be completed without taking an outage and affecting the customers.
20 Maintenance can also be carried out without any interruption in service.

FNEI's intention has always been to bring its system up to a standard common to all utilities across the province. Having spare transformers is standard practice for utilities in Ontario. For example, Hydro One Networks' Board-approved transmission revenue requirement includes a reserve pool of transformers available in case of emergency (EB-2008-0272).

The costs associated with this project can be broken-down as follows:

• SNC Fixed Price Contract:	\$3,805,300.29
• Additional Costs for IESO Metering:	\$4,750.00
• Misc. Civil Costs:	<u>\$30,420.69</u>
	\$3,840,470.98

PROJECT #14	Fibre Optic Communication System
Start Date	March 1, 2006
In-Service Date	November 2009
Net Capital Expenditure	\$12,001,256.12

Project Description:

De Beers Canada Inc.'s ("DBC") new Victor Mine is located approximately 90 km west of the coastal community of Attawapiskat. The Victor Mine required the construction of a new 170 km transmission line from Moosonee to Kashechewan as reinforcement for the existing FNEI high voltage transmission system. FNEI approached DBC to discuss the possibility of constructing the new line with an optical ground wire ("OPGW") instead of the normal skywire. The purpose of a skywire is to ground the air above the current carrying transmission lines, lessening the chance for static electricity to build up and also providing a safer place for lightning to discharge. DBC agreed to this and FNEI entered into a contract with DBC to cover the incremental costs of installing OPGW as opposed to a normal skywire.

In order to continue the fibre optic line beyond Kashechewan and to connect Attawapiskat FNEI, a separate pole line was built adjacent to the existing transmission line. This separate pole line supports an All-Dielectric Self-Supporting Optical Cable ("ADSS fibre optic cable"). The ADSS fibre optic cable is loose tube stranded around a fibre-reinforced plastic non-metallic central strength member into a compact and circular cable core.



*Workers setting a pole for the Lawashi River crossing, south of Attawapiskat.
The ADSS pole line parallels the existing transmission line.*

The project also included the installation of four self-contained shelters to house the required electronics. These shelters are located at the beginning of the line in Moosonee, as well as in each of Fort Albany, Kashechewan, and Attawapiskat.

Background Information

During its initial eight years of operation, FNEI communications utilized the existing community telephone system which was linked by microwave (using repeater stations) from each community to southern telephone systems. Station operating control was not in “real time”, but used a dial up process for computer downloads (set for every 30 minutes per site), with an associated long distance call expense. This meant that alarms could be received up to 30 minutes after the fact, and station operations required dial-up links to each respective site.

The IESO also accessed meters using community phone links. FNEI did establish dial-up access to its SCADA (computer monitors), but this mode of transmitting data often resulted in extended delays before actual control could be acquired.

Over the years, FNEI has experienced numerous communication failures and has seen a deterioration of signal quality both within the community system and the microwave links between communities (Fort Albany experienced a complete communication outage for a three to four day period in the summer of 2003). Indeed, even the quality of voice communications with other agencies or FNEI sites was often very poor. Metering communication failures between FNEI sites and the IESO led to frequent meter trouble reports. While many of these meter trouble reports would eventually resolve themselves and communication was restored, FNEI was forced at certain points to send personnel by charter aircraft to these remote sites to determine the cause of the loss of communication.

1 FNEI also experienced limitations in acquiring SCADA data remotely from its sites due to signal
2 quality issues. The low communication bandwidth available over the dial-up connection often
3 resulted in delays of 45 to 60 minutes before SCADA control was acquired.

4
5 The existing system also did not allow FNEI to effectively monitor stations for security and
6 public safety. FNEI complied with all appropriate safety regulations at each of its transformer
7 stations, however the ability to monitor, assess and respond to site issues in a timely manner
8 remained unfeasible. When site buildings containing electronic controls experienced heating and
9 cooling failures, for instance, they would often go undetected until FNEI's next scheduled visit.

10
11 In addition, FNEI's ability to assess station equipment issues was limited to what could be
12 determined from the dial-up system or the verbal descriptions of local agents. The dispatch of
13 FNEI Timmins resources was periodically required to determine the status of equipment and
14 whether repairs were required.



1
2 *Local apprentices performing maintenance on the line just north of Kashechewan, in a typical*
3 *muskeg area. These sections of the line are very swampy and require ARGOS. Frost and wind*
4 *have pulled out the anchors and guy wires are being re-tensioned to straighten the pole*
5

6 **Need for the Project**

7 FNEI's fibre optic installation enables far more reliable and higher quality voice and data
8 communications. While OGCC will only deal with the operation of high voltage assets, the fibre
9 optic link enables FNEI staff to operate low-voltage station equipment. FNEI can now obtain
10 information (including SCADA data, equipment status, and knowledge of critical events) in a
11 more timely fashion. IESO metering communications also utilize the fibre optic telephone links.

1
2 The fibre optic links have enabled FNEI to install security cameras and temperature sensors that
3 monitor all sites with local alarm warnings. Off-site personnel are now notified automatically
4 and can access the cameras or sensors, assess the situation and act as required (call a local agent,
5 etc.). The same camera system enables off-site staff to perform visual assessment of equipment
6 status within the station yard and buildings from any authorized computer that has internet
7 access. This feature has significantly improved our “real time” access to manufacturing experts
8 and consultants. FNEI staff that need assistance at a remote site can now have any off-site expert
9 with internet access look directly at the equipment in question using the interactive portable
10 cameras and offer advice.

11 12 **Cost of the Project**

13 The fibre optic project was managed in two stages. The first stage (between Moosonee and
14 Kashechewan) was the inclusion of OPGW as an option in the 2005 tender by DeBeers for the
15 new 170 km transmission line. The resulting successful bid from Valard Construction included
16 what was deemed by FNEI experts as a very reasonable cost for the fibre optic link. FNEI was
17 not involved in this tender process (the second transmission line was a DBC project). FNEI did
18 request that DBC issue a change order to the contractor to install OPGW. DBC agreed and FNEI
19 entered into to a contract with DBC.

1 The second stage (between Kashechewan and Attawapiskat) took place between 2007 and 2008
2 and also involved a tender with multiple bidders for the construction of the separate pole line.
3 The same contractor who was awarded the DBC second line construction project was the
4 successful low bidder, primarily due to lower mobilization expense and lower construction costs.

5
6 The provision of electronics for establishing fibre links at each site was tendered and the low
7 bidder, Xitel, was awarded the contract to supply and install the electronics. Their bid included
8 provision of all the required equipment as well as testing of the equipment prior to installation.

9
10 Some of the specific savings which will result from this project include:

- 11 • lower communications costs;
- 12 • fewer meter trouble reports related to communication failures;
- 13 • expanded capability for FNEI staff to manage sites remotely and from any location
14 with internet, giving our small staff more flexibility;
- 15 • external experts now have remote access for trouble shooting; and
- 16 • greater site security.

1 The costs associated with this project can be broken-down as follows:

2	• Fixed Price Contracts:	\$8,136,921.54
3	• Labour & Accommodations:	\$882,161.08
4	• Freight and Travel:	\$239,690.32
5	• Materials:	\$1,477,606.54
6	• Tools, Shop and Garage Equipment:	\$38,213.48
7	• Capitalized Interest	<u>\$1,226,663.16</u>
8		\$12,001,256.12

9 **3.0 Capitalization Policy**

10 FNEI records capital assets at cost in accordance with Generally Accepted Accounting
11 Principles. The cost of an item of property, plant or equipment includes direct acquisition,
12 construction or development costs, such as materials and labour, and overhead costs directly
13 attributable to the acquisition, construction or development activity. Allowance for Funds Used
14 During Construction are attributed to all capital projects in accordance with the Accounting
15 Procedures Handbook. The costs incurred to enhance the service potential of an item of
16 property, plant or equipment are also capitalized.

17 **4.0 Amortization**

18 FNEI utilizes straight-line depreciation calculations based on the depreciable gross book value of
19 each asset class. The rates utilized by FNEI, set out in Exhibit 4, Tab 3, Schedule 2, were based

1 on historical practice, as well as utilizing utility guides such as the Electricity Distribution Rate
2 Handbook.

3 **5.0 Working Capital Allowance**

4 The working capital allowance for FNEI was calculated in accordance with the Electricity
5 Distribution Rate Handbook (i.e., 15% of OM&A expenses). Please refer to Schedule 3 of Tabs
6 2 through 11 in Exhibit 2.

Exhibit 2, Tab 1, Schedule 2

Numerical Summary of Rate Base

FIVE NATIONS ENERGY INC.

Numerical Summary of Rate Base
(\$000's)

	Board Approved RP-2001-0036 (1)	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Property, Plant & Equipment</u>										
Asset Values at Cost	25,750.8	15,445.5	15,166.0	11,597.9	11,355.6	13,216.8	15,065.8	18,119.3	21,626.1	33,226.0
Accumulated Depreciation	<u>596.5</u>	<u>393.6</u>	<u>941.1</u>	<u>1,362.5</u>	<u>1,675.7</u>	<u>2,153.0</u>	<u>2,710.1</u>	<u>3,325.2</u>	<u>4,026.3</u>	<u>5,045.8</u>
Net Book Value	25,154.4	15,051.9	14,224.8	10,235.4	9,679.9	11,063.8	12,355.7	14,794.1	17,599.8	28,180.2
<u>Allowance for Working Capital</u>										
Working Cash Allowance	<u>284.7</u>	<u>503.2</u>	<u>384.4</u>	<u>273.1</u>	<u>361.7</u>	<u>378.0</u>	<u>418.7</u>	<u>337.6</u>	<u>420.4</u>	<u>507.9</u>
Total Working Capital	<u>284.7</u>	<u>503.2</u>	<u>384.4</u>	<u>273.1</u>	<u>361.7</u>	<u>378.0</u>	<u>418.7</u>	<u>337.6</u>	<u>420.4</u>	<u>507.9</u>
Utility Rate Base	25,439.0	15,555.1	14,609.2	10,508.5	10,041.6	11,441.7	12,774.4	15,131.7	18,020.2	28,688.1
		<u>Variance 2002 vs. B.A.</u>	<u>Variance 2003 vs. 2002</u>	<u>Variance 2004 vs. 2003</u>	<u>Variance 2005 vs. 2004</u>	<u>Variance 2006 vs. 2005</u>	<u>Variance 2007 vs. 2006</u>	<u>Variance 2008 vs. 2007</u>	<u>Variance 2009 vs. 2008</u>	<u>Variance 2010 vs. 2009</u>
<u>Property, Plant & Equipment</u>										
Asset Values at Cost		(10,305.3)	(279.6)	(3,568.1)	(242.3)	1,861.2	1,848.9	3,053.5	3,506.8	11,599.9
Accumulated Depreciation		<u>(202.9)</u>	<u>547.5</u>	<u>421.3</u>	<u>313.2</u>	<u>477.4</u>	<u>557.1</u>	<u>615.1</u>	<u>701.1</u>	<u>1,019.5</u>
Net Book Value		(10,102.4)	(827.1)	(3,989.4)	(555.5)	1,383.9	1,291.9	2,438.4	2,805.8	10,580.4
<u>Allowance for Working Capital</u>										
Working Cash Allowance		<u>218.5</u>	<u>(118.8)</u>	<u>(111.3)</u>	<u>88.6</u>	<u>16.2</u>	<u>40.8</u>	<u>(81.1)</u>	<u>82.7</u>	<u>87.6</u>
Total Working Capital		<u>218.5</u>	<u>(118.8)</u>	<u>(111.3)</u>	<u>88.6</u>	<u>16.2</u>	<u>40.8</u>	<u>(81.1)</u>	<u>82.7</u>	<u>87.6</u>
Utility Rate Base		(9,883.9)	(945.9)	(4,100.7)	(466.9)	1,400.1	1,332.7	2,357.3	2,888.5	10,667.9

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 2, Tab 1, Schedule 3

Numerical Summary of Capital Expenditures

FIVE NATIONS ENERGY INC.

Numerical Summary of Capital Expenditures
(\$000's)

<u>Asset Class</u>	<u>Board Approved RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	9,795.1	(312.0)	260.4	347.6	277.8	2,191.6	1,255.6	3,394.7	3,111.5	150.0
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	18,823.7	2,823.5	227.2	184.5	292.9	351.6	275.5	104.7	4,767.7	35.0
1730 - Overhead Conductors & Devices	6,274.6	941.2	75.8	8.5	19.8	1.8	18.3	0.0	5,342.7	60.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	172.9	10.2	64.2	0.0	99.6	17.9	20.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	13.3	7.4	3.9	0.0	1.1	2.0
1915 - Office Furniture & Equipment	0.0	0.0	14.7	8.0	13.2	14.0	2.7	0.0	0.7	2.0
1920 - Computer Equipment - Hardware	20.4	31.1	11.0	9.8	31.8	15.2	11.6	1.5	15.3	2.0
1925 - Computer Software	0.0	0.0	2.1	0.0	0.0	2.5	1.4	2.3	0.0	0.5
1930 - Transportation Equipment	32.1	0.0	32.5	7.5	53.8	50.5	0.0	132.0	54.4	1.5
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	7.7	15.3	7.4	34.8	6.9	18.5	46.9	2.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital Expenditures	34,945.9	3,483.7	631.4	754.1	720.4	2,733.4	1,575.9	3,753.2	13,358.1	275.0

(1) Board Approved period was Nov/01 through Oct/02

FIVE NATIONS ENERGY INC.

Numerical Summary of Capital Expenditures
(\$000's)

<u>Asset Class</u>	<u>Variance</u> <u>2002 vs. B.A.</u>	<u>Variance</u> <u>2003 vs. 2002</u>	<u>Variance</u> <u>2004 vs. 2003</u>	<u>Variance</u> <u>2005 vs. 2004</u>	<u>Variance</u> <u>2006 vs. 2005</u>	<u>Variance</u> <u>2007 vs. 2006</u>	<u>Variance</u> <u>2008 vs. 2007</u>	<u>Variance</u> <u>2009 vs. 2008</u>	<u>Variance</u> <u>2010 vs. 2009</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	(10,107.1)	572.4	87.2	(69.8)	1,913.7	(936.0)	2,139.1	(283.2)	(2,961.5)
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	(16,000.2)	(2,596.2)	(42.7)	108.4	58.6	(76.0)	(170.8)	4,663.1	(4,732.7)
1730 - Overhead Conductors & Devices	(5,333.4)	(865.4)	(67.2)	11.2	(17.9)	16.5	(18.3)	5,342.7	(5,282.7)
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	172.9	(162.7)	54.0	(64.2)	99.6	(81.7)	2.1
1910 - Leasehold Improvements	0.0	0.0	0.0	13.3	(6.0)	(3.5)	(3.9)	1.1	0.9
1915 - Office Furniture & Equipment	0.0	14.7	(6.7)	5.2	0.8	(11.3)	(2.7)	0.7	1.3
1920 - Computer Equipment - Hardware	10.7	(20.1)	(1.2)	22.1	(16.7)	(3.5)	(10.1)	13.8	(13.3)
1925 - Computer Software	0.0	2.1	(2.1)	0.0	2.5	(1.1)	0.9	(2.3)	0.5
1930 - Transportation Equipment	(32.1)	32.5	(25.0)	46.3	(3.3)	(50.5)	132.0	(77.7)	(52.9)
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	7.7	7.6	(7.9)	27.4	(28.0)	11.6	28.5	(44.9)
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Capital Expenditures	(31,462.2)	(2,852.3)	122.7	(33.8)	2,013.0	(1,157.4)	2,177.2	9,604.9	(13,083.1)

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 2, Tab 2, Schedule 1

PPE – summary of Averages (RP-2001-0036)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Summary of Averages - Board Approved RP-2001-0036 (1)
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	7,420.5	114.1	7,306.4
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	13,708.3	357.5	13,350.9
1730 - Overhead Conductors & Devices	4,569.5	119.2	4,450.3
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	20.4	2.2	18.2
1925 - Computer Software	0.0	0.0	0.0
1930 - Transportation Equipment	32.1	3.5	28.6
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	25,750.8	596.5	25,154.4

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 2, Tab 2, Schedule 2

PPE – Detailed (RP-2001-0036)

(\$000's)

<u>Asset Values at Cost</u>	<u>Nov-01</u>	<u>Dec-01</u>	<u>Jan-02</u>	<u>Feb-02</u>	<u>Mar-02</u>	<u>Apr-02</u>	<u>May-02</u>	<u>Jun-02</u>	<u>Jul-02</u>	<u>Aug-02</u>	<u>Sep-02</u>	<u>Oct-02</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	6,645.1	6,645.1	6,645.1	6,645.1	6,645.1	5,274.4	8,424.4	8,424.4	8,424.4	8,424.4	8,424.4	8,424.4	7,420.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	11,316.2	11,316.2	11,316.2	11,316.2	11,316.2	8,982.0	16,489.5	16,489.5	16,489.5	16,489.5	16,489.5	16,489.5	13,708.3
1730 - Overhead Conductors & Devices	3,772.1	3,772.1	3,772.1	3,772.1	3,772.1	2,994.0	5,496.5	5,496.5	5,496.5	5,496.5	5,496.5	5,496.5	4,569.5
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	21,785.9	21,785.9	21,785.9	21,785.9	21,785.9	17,302.9	30,462.9	30,462.9	30,462.9	30,462.9	30,462.9	30,462.9	25,750.8

Feb. 25, 2010

EB-2009-0387

Exhibit 2

Tab 2

Schedule 2

Page 2 of 3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Board Approved RP-2001-0036

(\$000's)

<u>Accumulated Depreciation</u>	<u>Nov-01</u>	<u>Dec-01</u>	<u>Jan-02</u>	<u>Feb-02</u>	<u>Mar-02</u>	<u>Apr-02</u>	<u>May-02</u>	<u>Jun-02</u>	<u>Jul-02</u>	<u>Aug-02</u>	<u>Sep-02</u>	<u>Oct-02</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	18.0	35.0	53.0	70.0	88.0	105.0	123.0	140.0	158.0	176.0	193.0	210.6	114.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	55.0	110.0	165.0	220.0	275.0	330.0	385.0	440.0	495.0	550.0	605.0	659.6	357.5
1730 - Overhead Conductors & Devices	18.0	37.0	55.0	73.0	92.0	110.0	128.0	147.0	165.0	183.0	202.0	219.9	119.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	0.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0	3.0	3.0	4.0	4.1	2.2
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	1.0	1.0	2.0	2.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0	6.4	3.5
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	92.0	184.0	276.0	366.0	460.0	550.0	642.0	734.0	826.0	917.0	1,010.0	1,100.6	596.5

Feb. 25, 2010

EB-2009-0387

Exhibit 2

Tab 2

Schedule 2

Page 3 of 3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Board Approved RP-2001-0036

(\$000's)

<u>Net Fixed Asset Values</u>	<u>Nov-01</u>	<u>Dec-01</u>	<u>Jan-02</u>	<u>Feb-02</u>	<u>Mar-02</u>	<u>Apr-02</u>	<u>May-02</u>	<u>Jun-02</u>	<u>Jul-02</u>	<u>Aug-02</u>	<u>Sep-02</u>	<u>Oct-02</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	6,627.1	6,610.1	6,592.1	6,575.1	6,557.1	5,169.4	8,301.4	8,284.4	8,266.4	8,248.4	8,231.4	8,213.8	7,306.4
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	11,261.2	11,206.2	11,151.2	11,096.2	11,041.2	8,652.0	16,104.5	16,049.5	15,994.5	15,939.5	15,884.5	15,829.9	13,350.9
1730 - Overhead Conductors & Devices	3,754.1	3,735.1	3,717.1	3,699.1	3,680.1	2,884.0	5,368.5	5,349.5	5,331.5	5,313.5	5,294.5	5,276.6	4,450.3
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	20.4	19.4	19.4	19.4	18.4	18.4	18.4	17.4	17.4	17.4	16.4	16.3	18.2
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	31.1	31.1	30.1	30.1	29.1	29.1	28.1	28.1	27.1	27.1	26.1	25.7	28.6
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	21,693.9	21,601.9	21,509.9	21,419.9	21,325.9	16,752.9	29,820.9	29,728.9	29,636.9	29,545.9	29,452.9	29,362.3	25,154.4

Exhibit 2, Tab 2, Schedule 3

Working Capital Allowance (RP-2001-0036)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - Board Approved RP-2001-0036 (1)
(\$000's)

<u>Expense Category</u>	<u>Expense</u>	<u>Total</u>
Operations, Maintenance & Admin	1,898.5 x 15%	<u>284.7</u>
Total Working Capital Allowance		284.7

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 2, Tab 3, Schedule 1

PPE – Average of Opening and Closing Balances (2002)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2002
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	4,685.0	80.3	4,604.7
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	7,894.3	224.9	7,669.4
1730 - Overhead Conductors & Devices	2,790.1	75.0	2,715.1
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	44.1	5.2	38.9
1925 - Computer Software	0.0	0.0	0.0
1930 - Transportation Equipment	32.1	8.3	23.8
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	15,445.5	393.6	15,051.9

Exhibit 2, Tab 3, Schedule 2

PPE – Detailed (2002)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2002
(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	7,920.8	8,297.4	3,687.2	3,687.2	3,687.2	3,687.2	3,687.2	3,687.2	3,687.2	3,687.2	5,252.0	5,252.0	4,685.0
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	13,986.2	8,274.9	6,008.3	6,008.3	6,008.3	6,008.3	6,008.3	6,008.3	6,008.3	6,008.3	12,202.5	12,202.5	7,894.3
1730 - Overhead Conductors & Devices	4,662.1	4,662.1	2,002.8	2,002.8	2,002.8	2,002.8	2,002.8	2,002.8	2,002.8	2,002.8	4,067.5	4,067.5	2,790.1
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	21.7	21.7	45.6	45.6	45.6	45.6	45.6	45.6	52.9	52.9	52.9	52.9	44.1
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	26,622.9	21,288.2	11,775.9	11,775.9	11,775.9	11,775.9	11,775.9	11,775.9	11,783.1	11,783.1	21,606.9	21,606.9	15,445.5

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2002
(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	36.9	45.2	53.6	61.2	68.9	76.6	84.3	92.0	99.6	107.3	115.0	122.7	80.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	111.3	132.4	153.5	173.3	193.4	213.4	233.4	253.4	273.5	293.5	313.5	354.2	224.9
1730 - Overhead Conductors & Devices	37.1	44.1	51.1	57.8	64.5	71.1	77.8	84.5	91.2	97.8	104.5	118.1	75.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	1.4	1.8	2.3	3.1	3.9	4.6	5.4	6.1	7.0	7.9	8.8	9.7	5.2
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	5.3	5.9	6.4	7.0	7.5	8.0	8.6	9.1	9.6	10.2	10.7	11.2	8.3
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	192.0	229.5	266.9	302.4	338.1	373.8	409.4	445.1	480.9	516.7	552.5	615.8	393.6

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2002
(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	7,883.9	8,252.2	3,633.6	3,625.9	3,618.3	3,610.6	3,602.9	3,595.2	3,587.5	3,579.8	5,137.0	5,129.4	4,604.7
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	13,874.9	8,142.5	5,854.8	5,834.9	5,814.9	5,794.9	5,774.8	5,754.8	5,734.8	5,714.8	11,888.9	11,848.3	7,669.4
1730 - Overhead Conductors & Devices	4,625.0	4,618.0	1,951.7	1,945.0	1,938.3	1,931.6	1,924.9	1,918.3	1,911.6	1,904.9	3,963.0	3,949.4	2,715.1
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	20.4	19.9	43.3	42.5	41.8	41.0	40.2	39.5	45.9	45.0	44.1	43.2	38.9
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	26.7	26.2	25.7	25.1	24.6	24.1	23.5	23.0	22.4	21.9	21.4	20.8	23.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	26,430.9	21,058.7	11,509.0	11,473.5	11,437.8	11,402.1	11,366.4	11,330.8	11,302.2	11,266.4	21,054.4	20,991.1	15,051.9

Exhibit 2, Tab 3, Schedule 3

Working Capital Allowance (2002)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2002
(\$000's)

<u>Expense Category</u>	<u>Expense</u>	<u>Total</u>
Operations, Maintenance & Admin	3,354.6 x 15%	<u>503.2</u>
Total Working Capital Allowance		503.2

Exhibit 2, Tab 4, Schedule 1

PPE – Average of Opening and Closing Balances (2003)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2003
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	3,831.6	177.4	3,654.2
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	8,419.5	548.9	7,870.6
1730 - Overhead Conductors & Devices	2,806.5	183.0	2,623.5
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0
1915 - Office Furniture & Equipment	8.9	0.7	8.2
1920 - Computer Equipment - Hardware	58.5	15.7	42.8
1925 - Computer Software	1.7	0.4	1.3
1930 - Transportation Equipment	34.8	14.8	20.0
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	4.5	0.3	4.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	15,166.0	941.1	14,224.8

Exhibit 2, Tab 4, Schedule 2

PPE – Detailed (2003)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2003

(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	5,252.0	4,436.4	4,537.9	3,474.7	3,474.7	3,499.6	3,539.0	3,539.0	3,539.0	3,547.7	3,567.6	3,571.6	3,831.6
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	12,202.5	9,929.4	10,156.7	7,638.3	7,638.3	7,638.3	7,638.3	7,638.3	7,638.3	7,638.3	7,638.3	7,638.3	8,419.5
1730 - Overhead Conductors & Devices	4,067.5	3,309.8	3,385.6	2,546.1	2,546.1	2,546.1	2,546.1	2,546.1	2,546.1	2,546.1	2,546.1	2,546.1	2,806.5
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	4.6	6.5	7.4	8.7	9.3	13.2	13.2	14.7	14.7	14.7	8.9
1920 - Computer Equipment - Hardware	52.9	52.9	52.9	52.9	53.1	54.5	63.9	63.9	63.9	63.9	63.9	63.9	58.5
1925 - Computer Software	0.0	1.5	1.5	1.5	1.5	1.5	2.1	2.1	2.1	2.1	2.1	2.1	1.7
1930 - Transportation Equipment	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	32.1	64.6	34.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	7.7	7.7	7.7	7.7	7.7	7.7	7.7	4.5
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	21,606.9	17,762.1	18,171.2	13,752.0	13,753.2	13,788.6	13,838.5	13,842.4	13,842.4	13,852.7	13,872.5	13,909.0	15,166.0

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Exhibit 2

Tab 4

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2003

(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	133.6	142.9	152.3	159.6	166.8	174.1	181.5	188.9	196.2	203.6	211.0	218.5	177.4
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	394.9	428.0	461.8	487.3	512.7	538.2	563.7	589.1	614.6	640.1	665.5	691.0	548.9
1730 - Overhead Conductors & Devices	131.6	142.7	153.9	162.4	170.9	179.4	187.9	196.4	204.9	213.4	221.8	230.3	183.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.1	0.2	0.3	0.5	0.6	0.8	1.0	1.3	1.5	1.8	0.7
1920 - Computer Equipment - Hardware	10.5	11.4	12.3	13.2	14.1	15.0	16.0	17.1	18.2	19.2	20.3	21.4	15.7
1925 - Computer Software	0.0	0.1	0.1	0.2	0.2	0.3	0.4	0.6	0.6	0.7	0.7	0.8	0.4
1930 - Transportation Equipment	11.8	12.3	12.8	13.4	13.9	14.4	15.0	15.5	16.0	16.6	17.1	18.2	14.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.5	0.6	0.8	0.9	0.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	682.4	737.3	793.4	836.2	879.0	922.0	965.3	1,008.8	1,052.0	1,095.4	1,138.9	1,182.9	941.1

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Exhibit 2

Tab 4

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2003

(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	5,118.4	4,293.5	4,385.6	3,315.1	3,307.8	3,325.5	3,357.5	3,350.2	3,342.8	3,344.1	3,356.6	3,353.1	3,654.2
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	11,807.6	9,501.5	9,694.9	7,151.0	7,125.6	7,100.1	7,074.7	7,049.2	7,023.7	6,998.3	6,972.8	6,947.4	7,870.6
1730 - Overhead Conductors & Devices	3,935.9	3,167.2	3,231.6	2,383.7	2,375.2	2,366.7	2,358.2	2,349.8	2,341.3	2,332.8	2,324.3	2,315.8	2,623.5
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	4.5	6.3	7.1	8.3	8.6	12.4	12.1	13.4	13.2	12.9	8.2
1920 - Computer Equipment - Hardware	42.3	41.4	40.6	39.7	39.0	39.5	47.9	46.8	45.7	44.7	43.6	42.5	42.8
1925 - Computer Software	0.0	1.4	1.4	1.3	1.2	1.2	1.7	1.4	1.5	1.4	1.4	1.3	1.3
1930 - Transportation Equipment	20.3	19.8	19.2	18.7	18.2	17.6	17.1	16.6	16.0	15.5	15.0	46.4	20.0
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	7.6	7.4	7.3	7.2	7.1	6.9	6.8	4.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	20,924.5	17,024.8	17,377.8	12,915.8	12,874.2	12,866.5	12,873.2	12,833.7	12,790.4	12,757.3	12,733.7	12,726.2	14,224.8

Exhibit 2, Tab 4, Schedule 3

Working Capital Allowance (2003)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2003
(\$000's)

<u>Expense Category</u>	<u>Expense</u>	<u>Total</u>
Operations, Maintenance & Admin	2,562.8 x 15%	<u>384.4</u>
Total Working Capital Allowance		384.4

Exhibit 2, Tab 5, Schedule 1

PPE – Average of Opening and Closing Balances (2004)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2004
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	3,145.3	261.3	2,883.9
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	6,193.6	780.2	5,413.4
1730 - Overhead Conductors & Devices	2,022.2	259.2	1,763.0
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	66.5	0.5	66.0
1910 - Leasehold Improvements	0.0	0.0	0.0
1915 - Office Furniture & Equipment	19.0	3.8	15.2
1920 - Computer Equipment - Hardware	70.6	28.9	41.7
1925 - Computer Software	2.1	1.4	0.7
1930 - Transportation Equipment	68.9	25.4	43.5
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	9.7	1.8	7.9
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	11,597.9	1,362.5	10,235.4

Exhibit 2, Tab 5, Schedule 2

PPE – Detailed (2004)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2004

(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,583.3	3,593.6	2,906.4	2,899.0	2,899.0	2,899.0	2,987.0	3,171.9	3,175.0	3,184.9	3,219.9	3,224.5	3,145.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	7,670.0	7,723.3	6,225.4	6,209.9	6,209.9	6,209.9	6,209.9	5,561.9	5,569.5	5,576.9	5,577.8	5,578.6	6,193.6
1730 - Overhead Conductors & Devices	2,546.1	2,546.1	2,033.6	2,028.1	2,028.1	2,028.1	2,028.1	1,800.6	1,800.6	1,809.1	1,809.1	1,809.1	2,022.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	25.3	64.1	88.1	130.0	144.1	172.9	172.9	66.5
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	17.6	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	19.7	22.7	19.0
1920 - Computer Equipment - Hardware	67.5	67.5	67.5	67.5	67.5	67.5	73.7	73.7	73.7	73.7	73.7	73.7	70.6
1925 - Computer Software	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
1930 - Transportation Equipment	64.6	64.6	64.6	64.6	64.6	72.1	72.1	72.1	72.1	72.1	72.1	72.1	68.9
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	9.1	15.0	23.0	9.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	13,959.0	14,023.6	11,325.9	11,297.5	11,297.5	11,330.2	11,463.2	10,796.7	10,849.2	10,890.7	10,962.3	10,978.7	11,597.9

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Exhibit 2

Tab 5

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2004

(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	226.0	233.4	239.5	245.5	251.6	257.6	263.8	270.4	277.0	283.7	290.4	297.1	261.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	716.5	742.3	763.0	783.7	804.4	825.1	845.8	739.0	757.6	776.2	794.8	813.3	780.2
1730 - Overhead Conductors & Devices	238.8	247.3	254.1	260.8	267.6	274.4	281.1	245.3	251.3	257.4	263.4	269.4	259.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.9	1.5	2.1	0.5
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	2.1	2.4	2.7	3.0	3.3	3.6	3.9	4.3	4.6	4.9	5.2	5.6	3.8
1920 - Computer Equipment - Hardware	22.5	23.6	24.7	25.9	27.0	28.1	29.3	30.6	31.8	33.0	34.2	35.5	28.9
1925 - Computer Software	0.9	1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.8	1.9	1.4
1930 - Transportation Equipment	19.3	20.3	21.4	22.5	23.6	24.8	26.0	27.2	27.9	29.6	30.8	32.0	25.4
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	1.0	1.2	1.3	1.4	1.5	1.7	1.8	1.9	2.1	2.2	2.5	2.9	1.8
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	1,227.1	1,271.5	1,307.8	1,344.1	1,380.3	1,416.7	1,453.3	1,320.2	1,355.0	1,389.5	1,424.5	1,459.7	1,362.5

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Exhibit 2

Tab 5

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2004

(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,357.4	3,360.1	2,666.9	2,653.4	2,647.4	2,641.4	2,723.2	2,901.4	2,897.9	2,901.3	2,929.5	2,927.4	2,883.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,953.5	6,981.1	5,462.4	5,426.1	5,405.5	5,384.8	5,364.1	4,822.9	4,811.9	4,800.7	4,783.1	4,765.2	5,413.4
1730 - Overhead Conductors & Devices	2,307.3	2,298.8	1,779.5	1,767.2	1,760.5	1,753.7	1,746.9	1,555.2	1,549.2	1,551.7	1,545.7	1,539.7	1,763.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	25.3	64.1	88.1	128.9	143.2	171.5	170.9	66.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	15.6	16.3	16.0	15.7	15.3	15.0	14.7	14.4	14.1	13.8	14.5	17.1	15.2
1920 - Computer Equipment - Hardware	45.0	43.9	42.8	41.6	40.5	39.4	44.3	43.1	41.9	40.7	39.4	38.2	41.7
1925 - Computer Software	1.2	1.1	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.2	0.7
1930 - Transportation Equipment	45.3	44.2	43.1	42.1	41.0	47.3	46.1	44.9	44.2	42.5	41.3	40.1	43.5
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.6	6.9	12.5	20.2	7.9
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	12,731.9	12,752.1	10,018.1	9,953.4	9,917.2	9,913.6	10,009.9	9,476.4	9,494.2	9,501.1	9,537.8	9,519.0	10,235.4

Exhibit 2, Tab 5, Schedule 3

Working Capital Allowance (2004)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2004
(\$000's)

<u>Expense Category</u>	<u>Expense</u>	<u>Total</u>
Operations, Maintenance & Admin	1,820.9 x 15%	<u>273.1</u>
Total Working Capital Allowance		273.1

Exhibit 2, Tab 6, Schedule 1

PPE – Average of Opening and Closing Balances (2005)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2005
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	3,361.9	342.0	3,019.8
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	5,737.3	936.5	4,800.8
1730 - Overhead Conductors & Devices	1,825.0	308.9	1,516.1
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	178.9	5.9	173.0
1910 - Leasehold Improvements	10.9	2.5	8.4
1915 - Office Furniture & Equipment	31.3	8.7	22.6
1920 - Computer Equipment - Hardware	91.5	44.7	46.9
1925 - Computer Software	2.1	2.0	0.1
1930 - Transportation Equipment	89.2	18.8	70.3
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	27.5	5.7	21.8
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	11,355.6	1,675.7	9,679.9

Exhibit 2, Tab 6, Schedule 2

PPE – Detailed (2005)

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Exhibit 2

Tab 6

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2005

(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,227.1	3,251.5	3,258.6	3,340.8	3,341.4	3,367.2	3,367.2	3,367.2	3,367.2	3,444.0	3,507.7	3,502.4	3,361.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	5,584.8	5,616.7	5,641.6	5,652.7	5,667.4	5,686.1	5,782.8	5,804.2	5,817.1	5,853.0	5,870.0	5,871.5	5,737.3
1730 - Overhead Conductors & Devices	1,809.1	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,828.9	1,828.9	1,828.9	1,828.9	1,825.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	172.9	172.9	172.9	172.9	172.9	183.2	183.2	183.2	183.2	183.2	183.2	183.2	178.9
1910 - Leasehold Improvements	0.0	6.7	6.7	10.9	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	10.9
1915 - Office Furniture & Equipment	22.7	22.7	23.2	27.9	30.7	34.7	34.7	35.9	35.9	35.9	35.9	35.9	31.3
1920 - Computer Equipment - Hardware	73.7	73.7	73.7	73.7	86.5	98.1	101.6	102.1	102.1	102.1	105.5	105.5	91.5
1925 - Computer Software	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
1930 - Transportation Equipment	72.1	87.0	87.0	87.8	87.8	87.8	91.4	93.8	93.8	93.8	93.8	93.8	89.2
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	23.0	23.0	23.0	23.0	24.3	30.5	30.5	30.5	30.5	30.5	30.5	30.5	27.5
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	10,987.6	11,081.5	11,113.9	11,216.9	11,251.4	11,328.0	11,431.8	11,457.3	11,474.0	11,586.7	11,670.8	11,667.0	11,355.6

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Exhibit 2

Tab 6

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2005

(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	303.8	310.6	317.4	324.3	331.3	338.3	345.3	352.4	359.4	366.5	373.8	381.1	342.0
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	832.0	850.7	869.5	888.3	907.2	926.2	945.5	964.8	984.2	1,003.7	1,023.3	1,042.9	936.5
1730 - Overhead Conductors & Devices	275.5	281.5	287.6	293.7	299.8	305.9	312.0	318.0	324.1	330.2	336.3	342.4	308.9
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	2.6	3.2	3.8	4.4	4.9	5.6	6.2	6.8	7.4	8.0	8.6	9.2	5.9
1910 - Leasehold Improvements	0.0	0.3	0.6	1.0	1.6	2.1	2.7	3.2	3.8	4.4	4.9	5.5	2.5
1915 - Office Furniture & Equipment	6.0	6.3	6.7	7.2	7.7	8.3	8.9	9.5	10.1	10.6	11.2	11.8	8.7
1920 - Computer Equipment - Hardware	36.7	37.9	39.2	40.4	41.8	43.5	45.1	46.8	48.5	50.3	52.0	53.7	44.7
1925 - Computer Software	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.0
1930 - Transportation Equipment	33.2	10.0	11.5	13.0	14.4	15.9	17.4	19.0	20.5	22.1	23.7	25.2	18.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	3.2	3.6	4.0	4.4	4.8	5.3	5.8	6.3	6.8	7.3	7.9	8.4	5.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	1,494.9	1,506.2	1,542.2	1,578.7	1,615.6	1,653.0	1,690.8	1,728.8	1,766.9	1,805.2	1,843.7	1,882.2	1,675.7

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Exhibit 2

Tab 6

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2005

(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	2,923.3	2,940.9	2,941.2	3,016.4	3,010.1	3,028.9	3,021.9	3,014.9	3,007.9	3,077.4	3,133.9	3,121.2	3,019.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	4,752.9	4,766.0	4,772.1	4,764.4	4,760.1	4,759.9	4,837.4	4,839.4	4,832.9	4,849.3	4,846.7	4,828.6	4,800.8
1730 - Overhead Conductors & Devices	1,533.6	1,543.5	1,537.4	1,531.3	1,525.2	1,519.2	1,513.1	1,507.0	1,504.7	1,498.6	1,492.5	1,486.4	1,516.1
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	170.3	169.7	169.1	168.6	168.0	177.6	177.0	176.4	175.8	175.2	174.6	173.9	173.0
1910 - Leasehold Improvements	0.0	6.4	6.2	9.9	11.8	11.2	10.7	10.1	9.6	9.0	8.4	7.9	8.4
1915 - Office Furniture & Equipment	16.7	16.4	16.4	20.7	23.0	26.4	25.8	26.4	25.8	25.2	24.6	24.0	22.6
1920 - Computer Equipment - Hardware	37.0	35.8	34.5	33.3	44.7	54.6	56.4	55.3	53.6	51.9	53.6	51.9	46.9
1925 - Computer Software	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1
1930 - Transportation Equipment	38.9	77.0	75.6	74.8	73.4	71.9	74.0	74.8	73.3	71.7	70.2	68.6	70.3
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	19.8	19.4	19.0	18.6	19.5	25.2	24.7	24.1	23.6	23.1	22.6	22.1	21.8
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	9,492.7	9,575.3	9,571.7	9,638.2	9,635.8	9,675.0	9,741.0	9,728.5	9,707.2	9,781.5	9,827.1	9,784.7	9,679.9

Exhibit 2, Tab 6, Schedule 3

Working Capital Allowance (2005)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2005
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	2,411.5 x 15%	<u>361.7</u>
Total Working Capital Allowance		361.7

Exhibit 2, Tab 7, Schedule 1

PPE – Average of Opening and Closing Balances (2006)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2006
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	4,807.5	441.4	4,366.1
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	6,019.3	1,171.8	4,847.6
1730 - Overhead Conductors & Devices	1,829.6	382.1	1,447.6
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	218.8	13.7	205.1
1910 - Leasehold Improvements	19.9	10.7	9.3
1915 - Office Furniture & Equipment	42.0	16.1	25.9
1920 - Computer Equipment - Hardware	115.8	65.9	49.9
1925 - Computer Software	2.7	2.1	0.6
1930 - Transportation Equipment	121.8	37.3	84.5
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	39.3	12.0	27.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	13,216.8	2,153.0	11,063.8

Exhibit 2, Tab 7, Schedule 2

PPE – Detailed (2006)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2006
(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,513.8	4,157.2	4,160.9	4,165.6	4,564.3	4,564.7	5,109.8	5,114.6	5,257.9	5,692.8	5,693.9	5,693.9	4,807.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	5,872.1	5,889.1	5,898.0	5,893.3	5,893.3	5,897.2	6,016.5	6,100.2	6,152.4	6,186.7	6,210.1	6,223.1	6,019.3
1730 - Overhead Conductors & Devices	1,828.9	1,828.9	1,828.9	1,828.9	1,828.9	1,828.9	1,829.8	1,829.8	1,830.7	1,830.7	1,830.7	1,830.7	1,829.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	183.2	194.8	202.9	202.9	202.9	204.1	227.4	232.6	233.7	246.9	247.3	247.3	218.8
1910 - Leasehold Improvements	13.3	18.6	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	19.9
1915 - Office Furniture & Equipment	35.9	35.9	35.9	35.9	35.9	43.4	43.4	43.4	47.4	47.4	49.8	49.8	42.0
1920 - Computer Equipment - Hardware	105.5	115.3	115.3	115.3	115.3	116.7	116.7	116.7	116.7	116.7	119.3	120.7	115.8
1925 - Computer Software	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	4.6	4.6	4.6	2.7
1930 - Transportation Equipment	99.0	99.4	99.4	99.4	99.4	99.4	144.3	144.3	144.3	144.3	144.3	144.3	121.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	30.5	30.5	30.5	30.5	30.5	30.5	30.5	44.2	47.5	50.3	50.7	65.3	39.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	11,684.3	12,371.6	12,394.5	12,394.5	12,793.3	12,807.7	13,541.2	13,648.7	13,853.4	14,341.0	14,371.4	14,400.4	13,216.8

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2006
(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	388.5	397.1	405.8	414.5	424.0	433.5	444.1	454.8	465.7	477.6	489.5	501.3	441.4
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	1,062.4	1,082.1	1,101.7	1,121.4	1,141.0	1,160.7	1,180.7	1,201.1	1,221.6	1,242.2	1,262.9	1,283.6	1,171.8
1730 - Overhead Conductors & Devices	348.5	354.6	360.9	366.8	372.9	379.0	385.1	391.2	397.3	403.4	409.5	415.6	382.1
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	9.8	10.5	11.2	11.8	12.5	13.2	14.0	14.7	15.5	16.3	17.2	18.0	13.7
1910 - Leasehold Improvements	6.0	6.8	7.7	8.5	9.4	10.2	11.1	12.0	12.8	13.7	14.6	15.4	10.7
1915 - Office Furniture & Equipment	12.4	13.0	13.6	14.2	14.8	15.5	16.3	17.0	17.8	18.6	19.4	20.2	16.1
1920 - Computer Equipment - Hardware	55.4	57.3	59.3	61.2	63.1	65.0	66.9	68.8	70.6	72.5	74.5	76.4	65.9
1925 - Computer Software	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.1
1930 - Transportation Equipment	26.9	28.5	30.2	31.8	33.5	35.2	37.6	40.0	42.4	44.8	47.2	49.6	37.3
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	8.9	9.4	9.9	10.4	10.9	11.4	11.9	12.7	13.5	14.3	15.1	16.2	12.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Accumulated Depreciation	1,920.9	1,961.4	2,002.2	2,042.7	2,084.2	2,125.8	2,169.7	2,214.2	2,259.3	2,305.5	2,351.9	2,398.6	2,153.0

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2006
(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,125.3	3,760.1	3,755.1	3,751.1	4,140.4	4,131.2	4,665.7	4,659.8	4,792.2	5,215.2	5,204.5	5,192.6	4,366.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	4,809.7	4,807.0	4,796.3	4,772.0	4,752.3	4,736.6	4,835.8	4,899.2	4,930.8	4,944.5	4,947.2	4,939.4	4,847.6
1730 - Overhead Conductors & Devices	1,480.3	1,474.2	1,468.0	1,462.1	1,456.0	1,449.9	1,444.7	1,438.6	1,433.4	1,427.3	1,421.2	1,415.1	1,447.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	173.3	184.3	191.8	191.1	190.4	190.9	213.4	217.9	218.2	230.5	230.2	229.4	205.1
1910 - Leasehold Improvements	7.3	11.8	13.1	12.2	11.4	10.5	9.6	8.8	7.9	7.0	6.2	5.3	9.3
1915 - Office Furniture & Equipment	23.4	22.8	22.2	21.6	21.0	27.9	27.1	26.4	29.6	28.8	30.4	29.6	25.9
1920 - Computer Equipment - Hardware	50.1	57.9	56.0	54.1	52.2	51.7	49.8	47.9	46.1	44.2	44.8	44.3	49.9
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	2.4	2.3	0.6
1930 - Transportation Equipment	72.1	70.8	69.2	67.5	65.9	64.2	106.7	104.3	101.9	99.5	97.1	94.7	84.5
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	21.6	21.1	20.6	20.1	19.6	19.1	18.5	31.5	34.0	36.0	35.6	49.1	27.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	9,763.3	10,410.2	10,392.3	10,351.8	10,709.1	10,681.9	11,371.5	11,434.5	11,594.1	12,035.5	12,019.5	12,001.7	11,063.8

Exhibit 2, Tab 7, Schedule 3

Working Capital Allowance (2006)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2006
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	2,519.7 x 15%	<u>378.0</u>
Total Working Capital Allowance		378.0

Exhibit 2, Tab 8, Schedule 1

PPE – Average of Opening and Closing Balances (2007)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2007
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	6,201.1	582.5	5,618.6
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	6,351.2	1,420.3	4,930.8
1730 - Overhead Conductors & Devices	1,844.0	455.5	1,388.5
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	247.3	23.3	224.0
1910 - Leasehold Improvements	23.0	21.4	1.6
1915 - Office Furniture & Equipment	50.4	25.6	24.8
1920 - Computer Equipment - Hardware	129.6	89.9	39.7
1925 - Computer Software	4.9	2.5	2.4
1930 - Transportation Equipment	144.3	65.2	79.1
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	70.0	23.8	46.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	15,065.8	2,710.1	12,355.7

Exhibit 2, Tab 8, Schedule 2

PPE – Detailed (2007)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2007

(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	5,696.3	5,708.7	5,719.4	5,703.9	5,958.0	6,330.9	6,332.4	6,335.7	6,352.9	6,533.0	6,808.0	6,934.0	6,201.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,230.6	6,247.1	6,301.9	6,304.3	6,304.3	6,304.3	6,335.0	6,376.7	6,402.4	6,432.6	6,477.6	6,497.1	6,351.2
1730 - Overhead Conductors & Devices	1,830.7	1,839.7	1,849.0	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,844.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	247.3	247.3	247.3	247.3	247.3	247.3	247.3	247.3	247.3	247.3	247.3	247.3	247.3
1910 - Leasehold Improvements	20.7	20.7	20.7	20.7	20.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	23.0
1915 - Office Furniture & Equipment	49.8	49.8	49.8	49.8	49.8	49.8	49.8	49.8	49.8	51.4	52.5	52.5	50.4
1920 - Computer Equipment - Hardware	123.5	123.5	125.4	131.3	131.3	131.3	131.3	131.3	131.3	131.3	131.3	132.3	129.6
1925 - Computer Software	4.6	4.6	4.6	4.6	4.6	4.6	4.6	5.0	5.0	5.0	5.9	5.9	4.9
1930 - Transportation Equipment	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	69.2	69.2	69.2	69.2	69.2	69.2	69.4	70.2	70.8	70.8	71.3	72.2	70.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	14,417.0	14,454.9	14,531.6	14,520.7	14,774.9	15,151.7	15,184.2	15,230.4	15,274.0	15,485.9	15,808.3	15,955.7	15,065.8

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2007

(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	513.4	525.6	537.8	548.9	561.3	574.5	587.7	600.9	614.1	627.7	641.9	656.3	582.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	1,304.4	1,325.2	1,346.2	1,367.2	1,388.3	1,409.3	1,430.4	1,451.6	1,473.0	1,494.4	1,516.0	1,537.7	1,420.3
1730 - Overhead Conductors & Devices	421.7	427.8	434.0	440.1	446.2	452.4	458.5	464.7	470.8	477.0	483.1	489.3	455.5
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	18.8	19.6	20.5	21.3	22.1	22.9	23.8	24.6	25.4	26.2	27.1	27.9	23.3
1910 - Leasehold Improvements	16.3	17.2	18.0	18.9	19.8	20.8	21.8	22.8	23.9	24.9	25.9	26.9	21.4
1915 - Office Furniture & Equipment	21.1	21.9	22.7	23.6	24.4	25.2	26.0	26.9	27.7	28.6	29.4	30.3	25.6
1920 - Computer Equipment - Hardware	78.4	80.4	82.4	84.6	86.7	88.8	91.0	93.1	95.2	97.4	99.5	101.6	89.9
1925 - Computer Software	2.3	2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.8	2.5
1930 - Transportation Equipment	52.0	54.4	56.8	59.2	61.6	64.0	66.4	68.8	71.2	73.6	76.0	78.4	65.2
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	17.4	18.5	19.7	20.9	22.0	23.2	24.3	25.5	26.7	27.9	29.0	30.2	23.8
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	2,445.7	2,492.9	2,540.5	2,586.9	2,634.7	2,683.5	2,732.4	2,781.4	2,830.6	2,880.3	2,930.7	2,981.5	2,710.1

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Exhibit 2

Tab 8

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2007

(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	5,182.9	5,183.1	5,181.6	5,155.0	5,396.7	5,756.4	5,744.7	5,734.8	5,738.8	5,905.3	6,166.1	6,277.7	5,618.6
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	4,926.2	4,921.9	4,955.7	4,937.0	4,916.0	4,895.0	4,904.6	4,925.1	4,929.4	4,938.2	4,961.5	4,959.4	4,930.8
1730 - Overhead Conductors & Devices	1,409.0	1,411.8	1,415.0	1,405.3	1,399.1	1,393.0	1,386.8	1,380.7	1,374.5	1,368.4	1,362.2	1,356.1	1,388.5
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	228.5	227.7	226.9	226.1	225.2	224.4	223.6	222.8	221.9	221.1	220.3	219.5	224.0
1910 - Leasehold Improvements	4.4	3.6	2.7	1.9	1.0	3.9	2.9	1.8	0.8	-0.2	-1.2	-2.3	1.6
1915 - Office Furniture & Equipment	28.8	27.9	27.1	26.3	25.4	24.6	23.8	23.0	22.1	22.9	23.1	22.2	24.8
1920 - Computer Equipment - Hardware	45.1	43.1	42.9	46.8	44.6	42.5	40.4	38.2	36.1	34.0	31.8	30.7	39.7
1925 - Computer Software	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.4	2.4	2.3	3.2	3.2	2.4
1930 - Transportation Equipment	92.3	89.9	87.5	85.1	82.7	80.3	77.9	75.5	73.1	70.7	68.2	65.8	79.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	51.8	50.6	49.5	48.3	47.2	46.0	45.0	44.7	44.2	43.0	42.3	41.9	46.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	11,971.2	11,961.9	11,991.1	11,933.8	12,140.1	12,468.2	12,451.8	12,449.0	12,443.4	12,605.6	12,877.6	12,974.2	12,355.7

Exhibit 2, Tab 8, Schedule 3

Working Capital Allowance (2007)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2007
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	2,791.5 x 15%	<u>418.7</u>
Total Working Capital Allowance		418.7

Exhibit 2, Tab 9, Schedule 1

PPE – Average of Opening and Closing Balances (2008)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2008
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	8,879.8	768.9	8,110.9
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	6,580.7	1,680.0	4,900.8
1730 - Overhead Conductors & Devices	1,845.4	529.3	1,316.1
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	283.8	33.8	250.1
1910 - Leasehold Improvements	24.7	27.6	-2.9
1915 - Office Furniture & Equipment	52.5	35.4	17.1
1920 - Computer Equipment - Hardware	133.3	107.2	26.2
1925 - Computer Software	7.7	3.4	4.4
1930 - Transportation Equipment	227.2	101.1	126.1
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	84.1	38.7	45.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	18,119.3	3,325.2	14,794.1

Exhibit 2, Tab 9, Schedule 2

PPE – Detailed (2008)

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Exhibit 2

Tab 9

Schedule 2

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FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2008

(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	6,934.0	7,550.0	7,576.1	7,934.6	8,714.0	8,750.5	8,753.0	9,578.0	9,786.1	10,324.0	10,328.7	10,328.7	8,879.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,515.4	6,522.9	6,570.7	6,574.7	6,578.4	6,591.2	6,603.1	6,603.1	6,603.1	6,603.1	6,603.1	6,600.3	6,580.7
1730 - Overhead Conductors & Devices	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4	1,845.4
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	256.8	266.6	269.3	270.1	270.1	270.3	270.3	270.3	270.5	310.1	334.8	346.9	283.8
1910 - Leasehold Improvements	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7
1915 - Office Furniture & Equipment	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
1920 - Computer Equipment - Hardware	132.3	132.3	132.3	132.3	133.8	133.8	133.8	133.8	133.8	133.8	133.8	133.8	133.3
1925 - Computer Software	5.9	5.9	7.5	7.5	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	7.7
1930 - Transportation Equipment	193.9	193.9	193.9	193.9	194.8	195.8	200.2	267.2	270.0	270.0	276.3	276.3	227.2
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	74.7	78.0	78.0	78.0	83.5	84.8	84.8	84.8	90.3	90.6	90.6	90.6	84.1
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	16,035.7	16,672.4	16,750.4	17,113.7	17,905.5	17,957.2	17,976.0	18,868.0	19,084.5	19,662.3	19,698.1	19,707.5	18,119.3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2008

(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	671.6	688.1	704.8	718.8	737.0	755.2	773.4	793.4	813.8	835.3	856.8	878.3	768.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	1,559.4	1,581.1	1,603.0	1,625.0	1,646.9	1,668.9	1,690.9	1,712.9	1,734.9	1,756.9	1,778.9	1,800.9	1,680.0
1730 - Overhead Conductors & Devices	495.4	501.6	507.7	513.9	520.0	526.2	532.3	538.5	544.6	550.8	556.9	563.1	529.3
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	28.7	29.6	30.5	31.4	32.3	33.2	34.1	35.0	35.9	37.0	38.1	39.2	33.8
1910 - Leasehold Improvements	28.0	29.0	30.0	31.1	32.1	33.1	24.7	24.7	24.7	24.7	24.7	24.7	27.6
1915 - Office Furniture & Equipment	31.2	32.1	32.9	33.8	34.7	35.6	35.8	36.5	37.1	37.7	38.4	39.0	35.4
1920 - Computer Equipment - Hardware	103.8	105.9	108.1	110.2	112.4	114.6	102.2	103.4	104.6	105.7	106.9	108.1	107.2
1925 - Computer Software	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.4
1930 - Transportation Equipment	81.7	84.9	88.1	91.4	94.6	97.9	101.2	105.7	110.2	114.7	119.3	123.3	101.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	31.5	32.8	34.1	35.4	36.8	38.2	39.3	40.6	42.0	43.4	44.8	46.1	38.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	3,034.1	3,088.1	3,142.3	3,194.0	3,250.0	3,306.1	3,337.4	3,394.1	3,451.3	3,509.8	3,568.5	3,626.7	3,325.2

Feb. 25, 2010

EB-2009-0387

Exhibit 2

Tab 9

Schedule 2

Page 3 of 3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2008

(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	6,262.5	6,861.9	6,871.3	7,215.7	7,977.1	7,995.3	7,979.5	8,784.6	8,972.3	9,488.7	9,471.9	9,450.4	8,110.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	4,956.0	4,941.8	4,967.7	4,949.7	4,931.5	4,922.4	4,912.2	4,890.2	4,868.2	4,846.2	4,824.2	4,799.4	4,900.8
1730 - Overhead Conductors & Devices	1,349.9	1,343.8	1,337.6	1,331.5	1,325.3	1,319.2	1,313.0	1,306.9	1,300.7	1,294.6	1,288.4	1,282.3	1,316.1
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	228.1	237.0	238.8	238.7	237.8	237.1	236.2	235.3	234.5	273.1	296.7	307.7	250.1
1910 - Leasehold Improvements	-3.3	-4.3	-5.4	-6.4	-7.4	-8.4	0.0	0.0	0.0	0.0	0.0	0.0	-2.9
1915 - Office Furniture & Equipment	21.3	20.5	19.6	18.7	17.8	17.0	16.7	16.1	15.4	14.8	14.2	13.5	17.1
1920 - Computer Equipment - Hardware	28.5	26.4	24.3	22.1	21.4	19.3	31.6	30.4	29.3	28.1	26.9	25.7	26.2
1925 - Computer Software	3.1	3.0	4.5	4.4	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.4
1930 - Transportation Equipment	112.3	109.0	105.8	102.6	100.2	97.9	99.0	161.5	159.8	155.3	157.0	153.0	126.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	43.2	45.2	43.9	42.6	46.7	46.6	45.5	44.2	48.3	47.3	45.9	44.5	45.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	13,001.6	13,584.3	13,608.1	13,919.7	14,655.6	14,651.2	14,638.5	15,473.9	15,633.2	16,152.5	16,129.6	16,080.8	14,794.1

Exhibit 2, Tab 9, Schedule 3

Working Capital Allowance (2008)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2008
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	2,250.9 x 15%	<u>337.6</u>
Total Working Capital Allowance		337.6

Exhibit 2, Tab 10, Schedule 1

PPE – Average of Opening and Closing Balances (2009)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2009
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	11,189.9	1,026.0	10,163.9
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	7,040.1	1,945.5	5,094.6
1730 - Overhead Conductors & Devices	2,342.6	604.9	1,737.7
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	361.2	47.0	314.2
1910 - Leasehold Improvements	25.5	24.8	0.7
1915 - Office Furniture & Equipment	52.8	42.9	9.9
1920 - Computer Equipment - Hardware	141.3	115.6	25.7
1925 - Computer Software	8.2	4.6	3.6
1930 - Transportation Equipment	330.6	155.3	175.3
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	134.0	59.6	74.4
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	21,626.1	4,026.3	17,599.8

Exhibit 2, Tab 10, Schedule 2

PPE – Detailed (2009)

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2009
(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	10,753.5	10,770.1	10,780.2	10,798.7	10,798.7	10,800.1	10,816.9	11,201.9	11,226.2	11,226.2	11,665.5	13,440.2	11,189.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,600.8	6,600.8	6,601.6	6,601.6	6,601.6	6,601.6	6,601.6	6,601.6	6,601.6	6,601.6	7,099.2	11,368.0	7,040.1
1730 - Overhead Conductors & Devices	1,845.4	1,845.4	1,845.4	1,845.4	1,847.9	1,847.9	1,847.9	1,847.9	1,847.9	1,847.9	2,455.2	7,188.0	2,342.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	347.4	360.5	360.5	361.4	361.4	361.4	361.4	361.4	364.8	364.8	364.8	364.8	361.2
1910 - Leasehold Improvements	24.7	24.7	24.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.5
1915 - Office Furniture & Equipment	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	53.3	53.3	53.3	53.3	52.8
1920 - Computer Equipment - Hardware	136.3	136.3	136.3	136.3	137.8	137.8	139.1	139.1	149.1	149.1	149.1	149.1	141.3
1925 - Computer Software	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
1930 - Transportation Equipment	330.0	330.0	330.7	330.7	330.7	330.7	330.7	330.7	330.7	330.7	330.7	330.7	330.6
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	128.8	128.8	130.5	134.7	134.7	135.1	135.1	135.1	135.1	135.1	137.6	137.6	134.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	20,227.5	20,257.2	20,270.4	20,295.2	20,299.2	20,301.0	20,319.1	20,704.1	20,742.5	20,742.5	22,289.1	33,065.6	21,626.1

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2009
(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	900.7	923.1	945.6	968.1	990.6	1,013.1	1,035.6	1,059.0	1,082.3	1,105.7	1,130.0	1,158.0	1,026.0
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	1,822.9	1,844.9	1,866.9	1,888.9	1,910.9	1,932.9	1,954.9	1,976.9	1,998.9	2,020.9	2,044.6	2,082.5	1,945.5
1730 - Overhead Conductors & Devices	569.2	575.4	581.5	587.7	593.8	600.0	606.2	612.3	618.5	624.6	632.8	656.8	604.9
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	40.4	41.6	42.8	44.0	45.2	46.4	47.6	48.8	50.0	51.3	52.5	53.7	47.0
1910 - Leasehold Improvements	24.7	24.7	24.7	24.7	24.8	24.8	24.8	24.8	24.8	25.0	25.0	25.1	24.8
1915 - Office Furniture & Equipment	39.7	40.3	40.9	41.6	42.2	42.8	43.3	43.7	44.3	44.8	45.3	45.8	42.9
1920 - Computer Equipment - Hardware	109.2	110.4	111.5	112.7	113.9	115.0	116.1	117.2	118.5	119.7	121.0	122.2	115.6
1925 - Computer Software	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.1	4.6
1930 - Transportation Equipment	128.3	133.2	138.2	143.2	148.2	153.0	157.8	162.7	167.5	172.4	177.2	182.1	155.3
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	48.2	50.2	52.2	54.3	56.5	58.6	60.7	62.8	64.9	67.1	69.1	71.0	59.6
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Accumulated Depreciation	3,687.3	3,747.9	3,808.6	3,869.5	3,930.4	3,991.1	4,051.7	4,113.0	4,174.6	4,236.4	4,302.6	4,402.3	4,026.3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2009
(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	9,852.8	9,847.0	9,834.6	9,830.6	9,808.1	9,787.0	9,781.3	10,143.0	10,143.9	10,120.5	10,535.4	12,282.2	10,163.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	4,777.9	4,755.9	4,734.7	4,712.7	4,690.7	4,668.7	4,646.7	4,624.7	4,602.7	4,580.6	5,054.6	9,285.5	5,094.6
1730 - Overhead Conductors & Devices	1,276.1	1,270.0	1,263.8	1,257.7	1,254.0	1,247.9	1,241.7	1,235.5	1,229.4	1,223.2	1,822.3	6,531.2	1,737.7
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	307.0	318.8	317.6	317.4	316.2	315.0	313.8	312.6	314.7	313.5	312.3	311.1	314.2
1910 - Leasehold Improvements	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.7	0.7	0.7
1915 - Office Furniture & Equipment	12.9	12.2	11.6	11.0	10.3	9.8	9.3	8.8	9.0	8.5	8.0	7.5	9.9
1920 - Computer Equipment - Hardware	27.0	25.9	24.7	23.6	24.0	22.8	23.0	21.9	30.6	29.4	28.1	26.8	25.7
1925 - Computer Software	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.6
1930 - Transportation Equipment	201.7	196.7	192.5	187.5	182.5	177.7	172.8	168.0	163.2	158.3	153.5	148.6	175.3
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	80.7	78.7	78.2	80.3	78.2	76.5	74.4	72.2	70.1	68.0	68.5	66.6	74.4
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	16,540.3	16,509.3	16,461.8	16,425.7	16,368.8	16,309.9	16,267.4	16,591.1	16,567.8	16,506.1	17,986.6	28,663.3	17,599.8

Exhibit 2, Tab 10, Schedule 3
Working Capital Allowance (2009)

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2009
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	2,802.5 x 15%	<u>420.4</u>
Total Working Capital Allowance		420.4

Exhibit 2, Tab 11, Schedule 1

PPE – Average of Opening and Closing Balances (2010)

UPDATED: March 25, 2010

EB-2009-0387

Exhibit 2

Tab 11

Schedule 1

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2010

(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	13,527.7	1,340.8	12,187.0
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	11,388.5	2,329.1	9,059.4
1730 - Overhead Conductors & Devices	7,223.0	813.0	6,410.0
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	376.4	61.8	314.7
1910 - Leasehold Improvements	26.9	25.6	1.3
1915 - Office Furniture & Equipment	54.4	48.5	5.9
1920 - Computer Equipment - Hardware	150.2	129.0	21.2
1925 - Computer Software	8.5	5.8	2.7
1930 - Transportation Equipment	331.6	209.1	122.5
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	138.7	83.2	55.5
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	33,226.0	5,045.8	28,180.2

Exhibit 2, Tab 11, Schedule 2

PPE – Detailed (2010)

(\$000's)

Asset Values at Cost	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Average
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	13,440.2	13,440.2	13,440.2	13,440.2	13,440.2	13,590.2	13,590.2	13,590.2	13,590.2	13,590.2	13,590.2	13,590.2	13,527.7
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	11,368.0	11,368.0	11,368.0	11,368.0	11,368.0	11,403.0	11,403.0	11,403.0	11,403.0	11,403.0	11,403.0	11,403.0	11,388.5
1730 - Overhead Conductors & Devices	7,188.0	7,188.0	7,188.0	7,188.0	7,188.0	7,248.0	7,248.0	7,248.0	7,248.0	7,248.0	7,248.0	7,248.0	7,223.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	364.8	364.8	364.8	364.8	364.8	384.8	384.8	384.8	384.8	384.8	384.8	384.8	376.4
1910 - Leasehold Improvements	25.7	25.7	25.7	25.7	25.7	27.7	27.7	27.7	27.7	27.7	27.7	27.7	26.9
1915 - Office Furniture & Equipment	53.3	53.3	53.3	53.3	53.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	54.4
1920 - Computer Equipment - Hardware	149.1	149.1	149.1	149.1	149.1	151.1	151.1	151.1	151.1	151.1	151.1	151.1	150.2
1925 - Computer Software	8.2	8.2	8.2	8.2	8.2	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.5
1930 - Transportation Equipment	330.7	330.7	330.7	330.7	330.7	332.2	332.2	332.2	332.2	332.2	332.2	332.2	331.6
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	137.6	137.6	137.6	137.6	137.6	139.6	139.6	139.6	139.6	139.6	139.6	139.6	138.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Maagement Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	33,065.6	33,065.6	33,065.6	33,065.6	33,065.6	33,340.6	33,340.6	33,340.6	33,340.6	33,340.6	33,340.6	33,340.6	33,226.0

UPDATED: March 25, 2010

EB-2009-0387

Exhibit 2

Tab 11

Schedule 2

Page 2 of 3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2010
(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	1,186.0	1,214.0	1,242.0	1,270.0	1,298.0	1,326.3	1,354.7	1,383.0	1,411.3	1,439.6	1,467.9	1,496.2	1,340.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	2,120.4	2,158.3	2,196.2	2,234.1	2,272.0	2,310.0	2,348.0	2,386.0	2,424.0	2,462.0	2,500.0	2,538.0	2,329.1
1730 - Overhead Conductors & Devices	680.7	704.7	728.7	752.6	776.6	800.7	824.9	849.1	873.2	897.4	921.5	945.7	813.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	54.9	56.1	57.3	58.6	59.8	61.1	62.3	63.6	64.9	66.2	67.5	68.8	61.8
1910 - Leasehold Improvements	25.1	25.2	25.2	25.3	25.3	25.4	25.6	25.7	25.8	25.9	26.1	26.2	25.6
1915 - Office Furniture & Equipment	46.3	46.8	47.3	47.8	48.1	48.4	48.8	49.1	49.4	49.7	50.0	50.4	48.5
1920 - Computer Equipment - Hardware	123.5	124.7	126.0	127.2	128.0	128.8	129.7	130.5	131.3	132.1	132.9	133.7	129.0
1925 - Computer Software	5.2	5.3	5.4	5.5	5.6	5.7	5.9	6.0	6.1	6.2	6.3	6.4	5.8
1930 - Transportation Equipment	186.9	191.0	195.0	199.1	203.1	207.2	211.2	215.1	219.1	223.1	227.1	231.0	209.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	72.9	74.8	76.7	78.6	80.6	82.4	84.2	86.0	87.8	89.6	91.5	93.3	83.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	4,502.0	4,601.0	4,699.9	4,798.9	4,897.1	4,996.1	5,095.1	5,194.0	5,292.9	5,391.9	5,490.8	5,589.7	5,045.8

UPDATED: March 25, 2010

EB-2009-0387

Exhibit 2

Tab 11

Schedule 2

Page 3 of 3

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2010
(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	12,254.2	12,226.2	12,198.2	12,170.2	12,142.2	12,263.9	12,235.6	12,207.3	12,178.9	12,150.6	12,122.3	12,094.0	12,187.0
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	9,247.6	9,209.8	9,171.9	9,134.0	9,096.1	9,093.1	9,055.1	9,017.0	8,979.0	8,941.0	8,903.0	8,865.0	9,059.4
1730 - Overhead Conductors & Devices	6,507.3	6,483.3	6,459.3	6,435.4	6,411.4	6,447.3	6,423.1	6,398.9	6,374.8	6,350.6	6,326.5	6,302.3	6,410.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	309.9	308.6	307.4	306.2	305.0	323.7	322.4	321.1	319.9	318.6	317.3	316.0	314.7
1910 - Leasehold Improvements	0.6	0.6	0.5	0.5	0.4	2.3	2.2	2.1	1.9	1.8	1.7	1.5	1.3
1915 - Office Furniture & Equipment	7.0	6.5	5.9	5.4	5.1	6.8	6.5	6.2	5.9	5.5	5.2	4.9	5.9
1920 - Computer Equipment - Hardware	25.6	24.3	23.1	21.8	21.0	22.2	21.4	20.6	19.8	19.0	18.2	17.3	21.2
1925 - Computer Software	3.0	2.9	2.8	2.7	2.6	3.0	2.8	2.7	2.6	2.5	2.4	2.3	2.7
1930 - Transportation Equipment	143.8	139.7	135.7	131.6	127.6	125.0	121.0	117.1	113.1	109.1	105.1	101.2	122.5
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	64.6	62.7	60.8	58.9	57.0	57.2	55.4	53.6	51.7	49.9	48.1	46.3	55.5
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Fixed Assets	28,563.5	28,464.6	28,365.7	28,266.7	28,168.5	28,344.4	28,245.5	28,146.6	28,047.6	27,948.7	27,849.8	27,750.8	28,180.2

Exhibit 2, Tab 11, Schedule 3
Working Capital Allowance (2010)

UPDATED: March 25, 2010
EB-2009-0387
Exhibit 2
Tab 11
Schedule 3

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2010
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	3,386.1 x 15%	<u>507.9</u>
Total Working Capital Allowance		507.9

Exhibit 2, Tab 12, Schedule 1

Customer Additions and System Expansions

1 **CUSTOMER ADDITIONS AND SYSTEM EXPANSIONS**

- 2 FNEI anticipates no customer additions or system expansions in the 2010 test year.

Exhibit 2, Tab 13, Schedule 1

Asset Management

ASSET MANAGEMENT AND CAPITAL BUDGETING

1.0 FNEI's Approach to Asset Management

Over the past eight years, FNEI has focused on investing in capital assets to create a more robust and reliable transmission system. When it was initially constructed, there was very little redundancy in FNEI's system. Moving forward, FNEI's asset management efforts will focus on carefully managing the assets that are now in place.

1.1 Managing Existing Infrastructure

FNEI is currently developing and formalizing its first comprehensive Asset Management Program. This program will use information technology to track past and present maintenance initiatives, forecast work, assess assets, identify optimal asset replacement, and plan capital expenditures while adhering to the goals of safety and reliability at a reasonable cost. By relying on FNEI's new fibre optic network, collected data can be accessed remotely. The Program will be useful in supporting the management strategies for FNEI's three main asset categories: lines, stations, and telecommunications. Given that most of FNEI's capital upgrades are now complete, FNEI believes the timing is appropriate for the development of its Asset Management Program.

1.1.1 Lines

FNEI manages line assets through a two-part inspection process. Lines are visually inspected each spring after the ice break-up and are comprehensively patrolled and inspected again each

1 autumn. Both ground and aerial surveys are carried out by FNEI employees in collaboration
2 with contracted consultants possessing experience in pole, conductor and insulator health.

3 This twice-annual inspection process is uniquely suited to FNEI's geographic area and the
4 weather, vegetative, and topographical characteristics of the Western James Bay region.
5 Inspection allows FNEI to identify and assess structural problems, safety hazards, and
6 environmental issues.

7 Non-emergency (non-corrective) repairs and preventative line maintenance are completed on a
8 rotating bi-annual basis with attention directed to the northern and southern halves of the line in
9 alternating years. Vegetative interference is only an issue at river crossings, which is addressed
10 on a three to five year control schedule without the need for a regular forest maintenance group.
11 The terrain is consistent muskeg which, although wet most of year, is not rugged. This feature
12 means that most non-corrective maintenance is undertaken in the winter months when the ground
13 is frozen and accessibility and repair logistics are most cost effective. Planned repair and
14 maintenance work is conducted largely by trained workers from the three member communities
15 under the supervision of an external coordinator.

16 Identified problems requiring immediate corrective measures are resolved promptly. Corrective
17 maintenance can be completed year round as needed by relying on pre-arranged emergency
18 repair kits and emergency arrangements. Repair kits, used in the wet months, include helicopter
19 services and special muskeg pole support systems that allow work to be completed quickly at

1 any time of year on any segment of the line. A contract with Hydro One Networks is in place in
2 the event of a large scale line failure.

3 The new Asset Management Program being developed by FNEI will identify and list each asset
4 individually, and track all work completed on that project over time. Records from past work
5 will be incorporated into the Program. The result will be a searchable database to aid in
6 identifying trends and developing an accurate go-forward work plan for predictive and
7 preventative maintenance of line assets.

8 The last component of line asset management involves the use of the real-time collection of
9 power flow, faults, and power quality through a system known as Supervisory Control and Data
10 Acquisition (“SCADA”). SCADA supplements line inspection activities.

11 **1.1.2 Stations**

12 Station integrity is reviewed on an on-going basis through visual inspections, functional tests,
13 infra-red inspections, oil sampling and dissolved gas analysis. An equipment maintenance
14 schedule is provided at Appendix B to this Schedule. In addition, real-time data on power flow,
15 faults, and power quality is collected using SCADA. Most of the station review and data
16 collection is conducted internally; however, testing, analysis, data interpretation, and trouble
17 shooting is carried out mainly by outside experts including consultants and equipment
18 manufacturers. Problems requiring corrective maintenance are resolved as quickly as possible.
19 Less urgent problems are addressed through longer term station asset maintenance and capital
20 expenditure plans.

1 Under the Asset Management Program being developed, the timing of equipment inspections
2 and reviews will be specifically identified, based on best management practices, as well as
3 recommendations and requirements from the original equipment manufacturers, insurers, and
4 regulatory bodies. As FNEI continues to build its Asset Management Program, the expectation
5 is that station maintenance will move from a predominantly reactive model to a fully proactive
6 program with reliance on internal expertise where having such expertise makes business sense.

7 **1.1.3 Telecommunications**

8 FNEI also gathers information on the state of its telecommunications assets (powerline carriers, a
9 fibre optic network, and related equipment). This equipment is monitored daily for problems,
10 and on regular intervals the equipment is inspected in detail. Preventative maintenance is carried
11 out on equipment which includes cleaning, modifying, and testing the equipment. A regular
12 telecom maintenance schedule is provided at Appendix C to this Schedule.

13 **1.1.4 Asset Condition Assessments**

14 The condition of line, station, and telecommunication assets is analyzed based on the collected
15 information, as well as the asset's age and the asset's historical use and deterioration patterns, all
16 of which is recorded by the Program. By having reliable external experts to assist in such
17 analyses, long term asset replacement prioritization can occur.

18 **1.2 Optimizing Asset Replacement**

19 To date, asset replacement has not been a major consideration for FNEI given the young age of
20 the lines and stations. Replacements are made on an as needed basis – a strategy which can and

1 will continue in the short- to mid-term. Capital improvements have be targeted at creating system
2 redundancy (i.e., at all sub-stations and on much of the line).

3 In the long term, asset replacement will become a more pressing issue. This will require the
4 development of a comprehensive capital upgrade and prioritization strategy. A major component
5 of this strategy will be the new Asset Management Program and its underlying management and
6 assessment reporting protocols. The strategy will allow FNEI to identify assets that require
7 replacement or capital improvement.

8 The unique geographic factors affecting FNEI require that consideration also be give to the
9 location of the target assets and the state of surrounding assets to ensure that other logical
10 replacements are identified and replacement work can be coordinated to maximize efficiency and
11 minimize costs.

12 All assets replacement recommendations must be reviewed by both the CEO and the Board of
13 Directors before decisions are made. This decision-making process ensures that replacements
14 are made based on fiscally-sound business case summaries that reflect the budget, cash flow, and
15 geographic realities of FNEI.

16 Replacement decisions are made based on four main criteria, listed in order of importance:
17 safety, reliability, cost, and regulatory compliance. These criteria are interrelated. For example,
18 safety considerations relate not only safety of employees and the public from electrical shock,
19 but also to the safety of the communities that require constant electricity through cold winter

1 months in order to survive. This safety consideration ties into reliability. Further, safety and
2 regulatory compliance are often on one in the same.

3 The main sub-considerations in making replacement and improvement decisions include the
4 following:

5 • Health, Safety and the Environment:

- 6 - potential for exposure to the public and employees;
- 7 - likelihood of occurrence; and
- 8 - consequences of an event.

9 • Reliability:

- 10 - delivery point reliability;
- 11 - unsupplied energy; and
- 12 - specific system events.

13 • Cost:

- 14 - human and technological resource availability;
- 15 - input prices;
- 16 - budgeting;
- 17 - seasonal timing; and
- 18 - location.

19 • Regulatory Compliance:

- 20 - applicable electricity standards; and

- 1 - compliance with other mandated requirements, such as oil containment, and osprey
2 hawk habitat protection.

3 With respect to health, safety and the environment, FNEI is currently doing a broad review to
4 ensure that FNEI meets or exceeds all electricity regulatory requirements. FNEI has recently
5 installed a fibre optic network that will allow real-time security monitoring at each sub-station
6 complete with automatic alarms and worldwide accesses to security at anytime. The fibre
7 connection also gives the control centre the ability to monitor the sub-stations in real-time.

8 With respect to reliability, all unplanned outages are reported to the Board of Directors to aid in
9 long term decision making. Planned outages are communicated to customers in advance and in
10 coordination with Hydro One Networks Inc. to ensure that customers can rely on electricity to be
11 there as much as possible.

13 **2.0 Capital Expenditure Forecast**

14 For 2010, FNEI's forecast rate base additions are described in Exhibit 2, Tab 1, Schedule 3.
15 There are no significant capital expenditures planned for 2010. Beyond 2010, FNEI's capital
16 expenditure forecast is divided into three areas: system upgrades; administrative improvements;
17 and operations.

2.1 System Upgrades

There are no capital expenditures greater than \$750,000 planned for the system in the short-term. In 2011, FNEI plans to build a second feeder in Kashechewan to provide redundancy and allow for better load-shedding. This capital improvement will cost between \$300,000 and \$500,000. In the mid- to long-term, based on the current business model, there are no anticipated major capital expenditures.

2.2 Administrative Improvements

Over the next one to three years, FNEI plans to make two significant asset acquisitions. First, FNEI will purchase a data management system to support and enhance the Asset Management Program and to improve decision making with respect to asset replacement and capital expenditure as well as operations.

Second, FNEI will be looking for new office space and consolidated central warehousing by 2013 which will likely require significant leasehold improvements. This investment will improve management efficiency, inventory control, and maintenance coordination and will better position FNEI to capture new opportunities as they arise.

2.3 Operations

In the mid- to long-term, FNEI may establish its own operating control centre in an effort to reduce costs and maximize efficiency. This is also in line with FNEI's corporate objective of maximizing internal expertise where doing so makes financial sense.

3.0 Enhancements to the Asset Management Plan

As mentioned above, the Asset Management Program will be the foundational element of FNEI's asset management planning. FNEI's Asset Management Program is a dynamic initiative that continues to be worked on at bi-weekly meetings between the CEO and external experts. A working outline of the related maintenance and operations guide is attached at Appendix A to this Schedule.

Asset management will be enhanced by the inclusion of new staff. An offer of employment has been made to a supervisor of maintenance who will work closely with the CEO, the Board of Directors, and the other FNEI staff to finalize and implement the Program.

A new document management system will be instituted along with the Program. This will set out procedures for maintenance and assessment recording keeping, document nomenclature, reporting, and report follow-up. The document management system will one day be fully electronic making documents accessible from any location with backups in the sub-stations. This document management will enhance asset management by ensuring assessment and repair

1 information is centrally located and properly filed. It will also improve safety by making old
2 plans irretrievable and ensuring problems are flagged and dealt with.

3 Further, because the Program is built on the structure of ISO 9001, it is FNEI's vision that, once
4 a data management system is in place, FNEI will be in a position to consider enhancing the
5 Program to be ISO 9001 compatible.

APPENDIX “A”

OUTLINE OF ASSET MANAGEMENT PLAN



FIVE NATIONS ENERGY INC.
Bringing Power to Western James Bay

MAINTENANCE AND OPERATION GUIDE
(Substations, Telecom & Transmission Lines)

Timmins, ON – Canada
January 2010



MAINTENANCE & OPERATION GUIDE

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APPENDIX “B”

EQUIPMENT MAINTENANCE SCHEDULE



FIVE NATIONS ENERGY INC.

Bringing Power to Western James Bay

HIGH AND MEDIUM VOLTAGE EQUIPMENT MAINTENANCE SCHEDULE

EQUIPMENT	TOTAL	Quantity per Substation			TEST, MEASUREMENTS AND INSPECTIONS	Frequency
		Fort Albany	Kashechewan	Attawapiskat		
Transformer	6	2	2	2		
		T1	T2	T3	Oil testing	1 year
		T1A	T2A	T3A	Power Factor Testing (winding + core)	5 years
					Power Factor Testing (bushings)	5 years
					Turn to turn ratio test	5 years
					Insulation resistance with polazation index (PI)	5 years
					Funlional test of auxiliary devices (26 relay, etc.)	5 years
					Sound level meter test	3 years
					Visual Inspection, mech box, heater, AC DC, etc.	1 year
Reactor	4	2	1	1		
		R1	R1	R1	Oil testing	1 year
		R2			Power Factor Testing (winding + core)	3 years
					Power Factor Testing (bushings)	3 years
					Funlional test of auxiliary devices (26 relay, etc.)	3 years
					Sound level meter test	2 years
					Visual Inspection, mech box, heater, AC DC, etc.	1 year
Circuit Breaker	5	0	4	1		
			L9R1-9	L7B4	Timing	5 years
			L9B3-9		Contact Resistance	5 years
			L3B3		DC/AC Isolation	5 years
			L5B3		Functional test - lubrication	5 years
					Visual Inspection, mech box, heater, AC DC, etc.	1 year
Circuit Switcher	9	4	2	3		
		3364T1A-B2	3365T2A-B3A	3366R1-B4	Timing	5 years
		3364T1-B2	3365T2-B3	3366T3-B4	Contact Resistance	5 years
		3364R1-B2		3366T3A-B4	DC/AC Isolation	5 years
		3364R2-B2			Functional test - lubrication	5 years
					Adjustment, lubrication	5 years
					Visual Inspection, mech box, heater, AC DC, etc.	1 year
Grounding Switch	7	1	4	2		
		3364M3K-G	3365M9K-G	3366K5A-G	Functional test - lubrication	5 years
			3365M3K-G	3366A7V-G	Adjustment, lubrication	5 years
			B3A-G		Visual Inspection	1 year
			3365K5A-G			
Voltage Transformer	8	2	5	1		
		3364CVT-M3K	3365CVT-M9K	B4CVT	Ratio test	5 years
		B2CVT	3365CVT-M9K		Isolation DC/AC	5 years
			B3ACVT		Winding resistance, capacitance	5 years
			B3CVT		Visual Inspection, mech box, heater, AC DC, etc.	1 year
			3365CVT-K5A			
Auxiliary Power AC/DC	3	1	1	1		
		AP1	AP1	AP1	Chargers functional test, calibration	1 year
					Batteries capacity test, internal resistance	1 year
					Visual inspection, general clean up	1 year

APPENDIX “C”

TELECOM MAINTENANCE SCHEDULE



FIVE NATIONS ENERGY INC.

Bringing Power to Western James Bay

TELECOM, CONTROL & PROTECTION MAINTENANCE SCHEDULE

EQUIPMENT	TOTAL	Quantity per Substation			TEST, MEASUREMENTS AND INSPECTIONS	Frequency
		Fort Albany	Kashechewan	Attawapiskat		
Protection Panels	10	3	4	3		
		RA02	RA01	RA01	Digital Protection Relay Test	5 years
		RA03	RA02	RA02	Control Schemes test (alarms, commands)	2 years
		RA04	RA03	RA03	Wiring terminals inspection and cabling	2 years
			RA04		Internal cleaning and labeling	1 year
					Visual Inspection	1 year
Circuit Breakers Panels (Low Voltage)	5	2	1	2		
		F1	F1	F1	Low Voltage Circuit Breaker Maintenance &Test	2 years
		F2		F2	Wiring terminals inspection and cabling	2 years
					Internal cleaning and labeling	1 year
					Visual Inspection	1 year
PLCC Panel	5	2	2	1		
		PLCC-1	PLCC-3	PLCC-5	Functional test	3 years
		PLCC-2	PLCC-4		Wiring terminals inspection and cabling	2 years
					Internal cleaning and labeling	1 year
					Visual Inspection	1 year
SCADA Panel	6	2	2	2		
		Servidor 1	Servidor 1	Servidor 1	CPU cleaning up	1 year
		Servidor 2	Servidor 2	Servidor 2	Functional PC test and backup	1 year
					Wiring terminals inspection and cabling	1 year
					Internal cleaning and labeling	1 year
					Visual Inspection	

Exhibit 3, Tab 1, Schedule 1

Operating and Other Revenue

OPERATING AND OTHER REVENUE

1.0 Total Revenues

FNEI's total annual revenues for the previous eight years are shown in Schedule 2 of this Tab. FNEI's total revenues are made up of transmission (or operating) revenues as well as a small amount of non-transmission revenues.

For the years 2002 to 2008, the revenues shown are the actual revenues received, while the revenue figure for 2009 is the sum of actual revenue received from January to September of 2009 plus a projection for the remaining three months of 2009.

2.0 Transmission/Operating Revenue

As with total revenue, operating revenues for the previous eight years are shown in Schedule 2 of this Tab. Operating revenue consists of transmission services revenue earned in the normal course of business. Historical variances in transmission revenues received have been driven by variations in provincial peak loads from year to year.

For the years 2002 to 2008, the transmission revenue shown is the actual revenue received monthly from the Independent Electricity System Operator ("IESO") 14 business days after the end of the month in which it was earned.

For 2009, the transmission revenue shown reflects the actual revenue received in the first nine months of the 2009 calendar year, plus a projection for the remaining three months based on historical loads for that period.

For the 2010 test year, FNEI has used the 2009 forecast. FNEI has reviewed the IESO's most recent 10-Month Outlook (covering the period from December 2009 to June 2011. The IESO projects electricity demand to show a slight increase over the forecast horizon as the economy recovers from the recent recession (a forecast 141.1 TWh in 2010 compared to a forecasted 140.5 TWh in 2009), but that peak demands are expected to decline due to conservation programs, the introduction of time of use rates and the growth in embedded generation. Based on this, FNEI believes it reasonable to assume relatively flat revenues over 2009 and 2010.

3.0 Other Revenues

FNEI also derives a small amount of miscellaneous, non-transmission revenue through a cost recovery agreement with DeBeers, whereby DeBeers provides FNEI with an administrative cost recovery charge for work performed by FNEI related to the connection of (and upgrades required to accommodate) De Beers Canada Inc.'s Victor Diamond Mine to the FNEI transmission system.. This charge is not expected to increase significantly in the test year. A forecast revenue of \$50,000 is projected for 2010.

FNEI also derives a small amount of revenue from interest earned on cash and investments held. This revenue stream is not expected to increase significantly in the test year, given that interest

1 rates continue to remain at relatively low levels. Interest revenue of \$50,000 is projected for the
2 2010 test year.

3 In the past, particularly in 2004, FNEI also secured revenue from the sale of property. No
4 dispositions of property at a gain or a loss are expected in the test year or into the foreseeable
5 future.

6 FNEI does not expect any new source of revenue to develop in the test year or subsequent years
7 in the near term.

Exhibit 3, Tab 1, Schedule 2

Numerical Summary of Revenue

FIVE NATIONS ENERGY INC.

Numerical Summary of Revenue
(\$000's)

	<u>Board Approved RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
4110 - Transmission Services Revenue	5,178.0	5,169.1	5,459.5	5,416.0	5,613.2	5,508.5	5,583.9	5,226.6	4,978.0	4,978.0
4235 - Miscellaneous Service Revenues	0.0	0.0	51.0	29.2	30.9	25.7	43.0	74.7	50.0	50.0
4355 - Gain on Dispositions of Utility & Other Property	0.0	0.0	0.0	1,857.7	7.5	0.0	0.0	0.0	0.0	0.0
4405 - Interest and Dividend Income	<u>0.0</u>	<u>1.3</u>	<u>40.5</u>	<u>33.8</u>	<u>82.1</u>	<u>198.0</u>	<u>217.8</u>	<u>228.3</u>	<u>28.0</u>	<u>50.0</u>
Total Revenue	5,178.0	5,170.4	5,551.0	7,336.7	5,733.7	5,732.3	5,844.6	5,529.6	5,056.0	5,078.0

	<u>Variance 2002 vs. B.A.</u>	<u>Variance 2003 vs. 2002</u>	<u>Variance 2004 vs. 2003</u>	<u>Variance 2005 vs. 2004</u>	<u>Variance 2006 vs. 2005</u>	<u>Variance 2007 vs. 2006</u>	<u>Variance 2008 vs. 2007</u>	<u>Variance 2009 vs. 2008</u>	<u>Variance 2010 vs. 2009</u>
4110 - Transmission Services Revenue	(8.9)	290.4	(43.5)	197.2	(104.6)	75.4	(357.3)	(248.6)	0.0
4235 - Miscellaneous Service Revenues	0.0	51.0	(21.8)	1.7	(5.2)	17.2	31.8	(24.7)	0.0
4355 - Gain on Dispositions of Utility & Other Property	0.0	0.0	1,857.7	(1,850.1)	(7.5)	0.0	0.0	0.0	0.0
4405 - Interest and Dividend Income	<u>1.3</u>	<u>39.2</u>	<u>(6.7)</u>	<u>48.3</u>	<u>115.9</u>	<u>19.8</u>	<u>10.5</u>	<u>(200.3)</u>	<u>22.0</u>
Total Revenue	(7.6)	380.6	1,785.7	(1,602.9)	(1.4)	112.4	(315.1)	(473.6)	22.0

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 4, Tab 1, Schedule 1

Numerical Summary of Cost of Service

FIVE NATIONS ENERGY INC.

Numerical Summary of Cost of Service
(\$000's)

	<u>Board Approved</u> <u>RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operations, Maintenance & Admin	1,898.5	3,354.6	2,562.8	1,820.9	2,411.5	2,519.7	2,791.5	2,250.9	2,802.5	3,386.1
Depreciation & Amortization	<u>1,100.6</u>	<u>561.0</u>	<u>567.0</u>	<u>444.0</u>	<u>447.1</u>	<u>516.4</u>	<u>582.9</u>	<u>645.2</u>	<u>775.6</u>	<u>1,187.4</u>
Total Cost of Service	2,999.1	3,915.6	3,129.8	2,264.9	2,858.6	3,036.1	3,374.4	2,896.1	3,578.1	4,573.6

	<u>Variance</u> <u>2002 vs. B.A.</u>	<u>Variance</u> <u>2003 vs. 2002</u>	<u>Variance</u> <u>2004 vs. 2003</u>	<u>Variance</u> <u>2005 vs. 2004</u>	<u>Variance</u> <u>2006 vs. 2005</u>	<u>Variance</u> <u>2007 vs. 2006</u>	<u>Variance</u> <u>2008 vs. 2007</u>	<u>Variance</u> <u>2009 vs. 2008</u>	<u>Variance</u> <u>2010 vs. 2009</u>
Operations, Maintenance & Admin	1,456.1	(791.9)	(741.8)	590.6	108.1	271.8	(540.6)	551.6	583.7
Depreciation & Amortization	<u>(539.6)</u>	<u>6.0</u>	<u>(123.1)</u>	<u>3.2</u>	<u>69.3</u>	<u>66.5</u>	<u>62.3</u>	<u>130.4</u>	<u>411.8</u>
Total Cost of Service	916.5	(785.9)	(864.9)	593.7	177.4	338.3	(478.3)	682.0	995.5

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 4, Tab 2, Schedule 1

OM&A Overview

OM&A OVERVIEW

1.0 Summary

This Schedule provides an overview of FNEI's operations, maintenance and administration ("OM&A") expenditures and the factors that have affected these costs from 2001 up to and including the 2010 test year. FNEI's proposed OM&A expenditures for the 2010 test year will ensure the continued safe, dependable and cost-efficient operation of the transmission system. FNEI has estimated its test year OM&A expenditure levels through implementation of its OM&A budgeting process and asset management program, which are addressed briefly below. FNEI's OM&A budgeting process is also considered at Exhibit 1, Tab 2, Schedule 2 and its approach to asset management is further discussed at Exhibit 2, Tab 13, Schedule 1.

FNEI's historical OM&A activities can be divided into the following five categories:

- *Operations*, which includes activities relating to inspection, testing, system control and work planning.
- *Maintenance*, which relates to preventative and corrective maintenance activities. Preventative maintenance includes maintenance carried out on a cyclical basis for structures and devices to avoid failure. Corrective maintenance includes activities aimed at repairing and replacing equipment that has failed or is about to fail.
- *Billing and Collecting* relates to bad debt expenses (not used going forward).

- 1 • *Community Relations*, which includes expenditures aimed at improving community
2 relations, as well as minor energy conservation and community safety programs.
- 3 • *Administrative and General Expenses*, which relate to executive and management salaries
4 and expenses, general administration costs, usage of outside services, insurance, and
5 regulatory expenses.

6 A summary of FNEI's OM&A expenses is presented in Exhibit 4, Tab 2, Schedule 3.

7 **2.0 FNEI's OM&A Budgeting Process**

8 FNEI's budgeting process is described at Exhibit 1, Tab 2, Schedule 2. As explained in that
9 Schedule, FNEI takes what is essentially a "bottom up" approach to OM&A budgeting. The
10 needs of the organization are assessed for the upcoming year in order to arrive at an OM&A
11 budget that addresses those needs.

12 Operations and administration cost estimates can, to a large extent, be based on historical costs,
13 and modified after gathering input from internal and (where necessary) external resources.
14 Given FNEI's small size, it is often more cost-effective to hire certain operations and
15 administration expertise on a part-time or contractual basis, because in most cases this is more
16 cost-effective than a full-time employee position (e.g., regulatory expertise, bookkeeping and
17 accounting, etc.). Preparation of the budget is the responsibility of FNEI's CEO, but is discussed
18 at both the Finance Committee and the Board of Directors.

FNEI's maintenance budget is prepared based on information gathered through the implementation of the asset management plan, which is described at Exhibit 2, Tab 13, Schedule 1. In setting its maintenance program (and by extension, its budget), FNEI ensures that it is in compliance with all legal and regulatory obligations, and also ensures its maintenance program incorporates: (a) the application of good utility practice; (b) industry reliability standards; (c) the safety of its employees and the general public; and (d) responsible environmental stewardship. Information is gathered through ongoing inspections and testing, as well as asset condition assessments carried out by FNEI's internal and external technical experts. This information is reviewed in light of required and available resources, essential maintenance/expansion activities, in addition to being compared to historical spending patterns. From there, maintenance work is prioritized and a budget established.

The focus of the maintenance budget is to maximize the operational life of FNEI's existing assets in service, while being responsive to the factors noted above (i.e., legal compliance, good utility practice, industry reliability standards, safety, and environmental stewardship).

3.0 Cost Management

FNEI attempts to minimize its OM&A expenses in a number of ways, as explained below.

3.1 Utilizing Outside Consultants in Lieu of Employees

As mentioned above, FNEI is a small utility. It currently has only three employees – with a fourth being on long-term disability. One implication of FNEI's small size is that many

1 functions that a larger transmission company would handle in-house (i.e., with transmission
2 company employees) must be done by external temporary or contract workers. This generally is
3 more cost-effective than hiring full-time employees. That having been said, this is a situation
4 that is continuously being reviewed. For instance, from the time FNEI came into service (late
5 2001) through to the very recent commissioning of the additional FNEI assets to serve the De
6 Beers Victor Mine, FNEI has been in a fairly consistent state of improving and expanding its
7 transmission system. This has driven its employee's day-to-day workload and substantially
8 driven the hiring of external temporary or contract workers. FNEI expects that the coming few
9 years will involve materially less capital project work, which may result in an opportunity to
10 reduce the use of its external workers. If, going forward, circumstances result in a short-term
11 need becoming a longer-term need, then a temporary or contract employee or employees may be
12 employed on a full-time basis in order to retain the benefits to the organization of the individual
13 having received training and having accumulated operational experience.

14 FNEI has found this manner of employing human resources to be effective in minimizing costs,
15 and will continue to implement this.

16 **3.2 Improved Communications Network**

17 Recently, FNEI completed the construction of a fibre optic network along its transmission
18 system, in order to connect its substations in Kashechewan, Fort Albany, and Attawapiskat with
19 communications south of James Bay. Previously, communications with FNEI's substations was
20 carried out via dial-up modem, using the existing Ontera telecommunications infrastructure.

1 This infrastructure utilized very old analog microwave radio technology – basically, a system of
2 towers between Moosonee (the termination of the fibre optic backbone in northeastern Ontario),
3 and the three James Bay communities. This resulted in very low bandwidth availability over a
4 single phone line, as well as severe echo and background noise over the line which made data
5 throughput very slow and subject to a lot of dropped communications. SCADA control was very
6 difficult, often resulting in operators being “blind” to alarms and conditions in the substations.
7 The Ontario Grid Control Centre (“OGCC”) connected to FNEI through Hydro One Networks
8 Inc.’s system that terminated in Moosonee. Several dedicated phone lines were required in
9 Moosonee to call each of the three substations (e.g., separate electronic dial-in troubleshooting
10 line, technician voice line, etc.). A total of 20 separate lines were required to make this system
11 work. The average fixed monthly cost per line was approximately \$75, with the long distance
12 charges required to call from Moosonee every 30 minutes ranging from \$2,000 to \$5,000 per
13 month depending upon the quality of the connection. With the installation of the fibre optic line,
14 these costs are now all avoided with the exception of one voice line for emergency purposes at
15 each site. Thus, while the primary purpose of the fibre optic network was not cost savings, there
16 are certain costs that are now avoided going forward.

17 **4.0 OM&A Cost Drivers**

18 An account-by-account summary of FNEI’s OM&A costs for 2002 to the 2010 test year is
19 provided in Exhibit 4, Tab 2, Schedule 3. The key drivers that give rise to the costs within the

accounts for operations, maintenance, billing and collecting, community relations and administrative and general expenses are discussed below.

4.1 Operations

FNEI's operating costs are driven largely by a few areas of activity, which together comprise the majority of total costs. Operating costs are made up primarily of costs incurred under Account 4810 (Load Dispatching), Account 4815 (Station Buildings and Fixtures Expenses), Account 4820 (Transformer Station Equipment Operating Labour), and Account 4850 (Rents).

Account 4810 - Load Dispatching: This is the most significant expense in the operations category for FNEI. These costs are incurred pursuant to an Operating Services Agreement made between FNEI and Hydro One Networks Inc. ("HONI") in 2006. The Operating Services Agreement covers the day-to-day operations and control required at each of the three FNEI-owned transformer stations (at Attawapiskat, Fort Albany and Kashechewan). Also included in this Account are the associated communication costs, which allow operators to communicate with equipment at each site.

Account 4815 - Station Buildings and Fixtures: This Account includes the FNEI's expenses associated with the three control buildings at the transformer stations and the fibre shelter in Moosonee. This includes expenses such as lighting, heating, snow removal, miscellaneous maintenance and repairs, and other building service expenses.

Account 4820 - Transformer Station Equipment Operating Labour: This Account includes labour expenses relating to the operation of the three transformer stations. The labour costs are made up of labour provided by each of the three local distribution companies (“LDCs”) to FNEI (e.g., weekly physical station checks). Utilizing the technical staff of each of the LDCs makes financial sense because FNEI has no personnel stationed at each site (all of which are remote, fly-in only communities) and the LDCs have the technical expertise to do the work. This work is carried out pursuant to a contract with each LDC. This Account also includes the labour and related costs for an Operations Technician based at FNEI’s main office in Timmins. The labour costs are those to carry out daily SCADA checks, occasional trips to each site for testing and verification, and minor maintenance that is not part of FNEI’s planned maintenance program.

Account 4850 - Rents: Because FNEI is non-profit (and does not have any property rights in any municipality), it does not pay any municipal property taxes. However, FNEI does pay two separate annual fees which are akin to property taxes or land rental fees. Because most of FNEI’s assets (in particular, the transmission lines) are situated on provincial Crown land, FNEI pays an annual land use permit fee to the Ministry of Natural Resources for use of these provincial Crown lands. Because FNEI also owns and operates assets on the Indian Reserve lands of the Attawapiskat First Nation, the Fort Albany First Nation and the Kashechewan First Nation, FNEI also pays an annual fee for use of the Reserve lands to each of the three First Nations. The fees are payable pursuant to permits issued by the Department of Indian Affairs and Northern Development pursuant to subsection 28(2) of the *Indian Act* (Canada).

4.2 Maintenance

FNEI's maintenance costs are driven primarily by activities, the costs of which are recorded in Account 4916 (Maintenance of Transformer Station Equipment) and Account 4930 (Maintenance of Towers, Poles, and Fixtures).

Account 4916 - Maintenance of Transformer Station Equipment: FNEI's station maintenance costs are recorded in this Account and are comprised of the cost of external contract resources, material, transportation and other expenses incurred in the emergency and planned maintenance of station equipment included in Account 1715 - Station Equipment. FNEI has an Operating Response and Maintenance Contract (effective as of January 1, 2003) with HONI to provide emergency services as required. For an annual fee of \$50,000, HONI commits to having appropriate staff on standby in Timmins for dispatch to the remote sites if required. Depending upon the work carried out, additional charges are billed on a fee-for-service basis. Planned maintenance is normally tendered out and coordinated to make optimal use of transportation and contractor availability.

This Account also records the costs associated with FNEI's Meter Service Provider ("MSP") contract with HONI to provide MSP services for FNEI, as required by the Independent Electricity System Operator (at a cost of \$1,350/month).

This Account also contains the costs incurred from time to time which are required to respond meter trouble reports. A typical trouble call would normally require the use of charter aircraft to take two personnel from Timmins to a remote site in order to identify and correct the problem.

Account 4930 - Maintenance of Towers, Poles, and Fixtures: This account includes all the maintenance costs associated with 270 km of line from Moosonee to Attawapiskat.

The FNEI transmission line is a few miles inland from James Bay, and travels through the muskeg region of the James Bay lowlands. There is little tree growth along the transmission line route (apart from at creek and river crossings). Since the original right-of-way ("ROW") was cleared in 2000 for the initial construction of the FNEI line, FNEI has not had to do any ROW clearing. FNEI does anticipate having to undertake a ROW clearing program beginning in 2011. FNEI may amortize these costs over subsequent years in order to avoid a spike in one year's expenditures.

Two helicopter line patrols are performed per year, in addition to ground patrols in the fall, in order to correct leaning poles. The costs of these patrols are included in this Account. Due to the swampy terrain in the region, the pole line is not accessible with heavy equipment during any season except a short period of time in winter. Line patrols identify which structures require work as part of the winter maintenance program. By planning the maintenance program well in advance and utilizing local labour in the region for the majority of the work, FNEI is able to control its costs for these activities. A professional engineer (retired from the former Ontario Hydro) also helps supervise those local apprentices carrying out work for each LDC. His services (provided at an hourly billed rate) are included in this account.

In addition to planned maintenance, emergency maintenance costs are included in this Account as well. In April 2006, ice jams at the mouth of the Albany River at James Bay caused the river

1 to flood, resulting in large pieces of ice knocking out two poles on the line between Fort Albany
2 and Kashechewan. The costs to repair these structures were recorded in this Account at that
3 time. Had it not been for FNEI's capital program that built the ice berm wall protection the
4 damage would have been significantly higher and the resultant 10 day outage would have likely
5 been at least a month.

6 **4.3 Billing and Collecting**

7 *Account 5335 - Bad Debt Expense:* Normally a transmitter does not do any billing and
8 collecting. However, when FNEI first began transmitting electricity in November of 2001, the
9 provincial electricity market had yet to be "opened", and the Uniform Transmission Rates were
10 not yet in place. At the time, FNEI was flowing power north from Moosonee to the two First
11 Nation communities of Fort Albany and Kashechewan. At this time, FNEI had two customers –
12 Fort Albany Power Corporation ("FAPC") beginning in November of 2001, and Kashechewan
13 Power Corporation ("KPC") beginning in December of 2001.

14 During the period from November/December 2001 until market opening on May 1, 2002, an
15 interim arrangement existed whereby FNEI purchased electricity from Ontario Power Generation
16 Inc. at Moosonee and resold the electricity to FAPC and KPC at their connection point to FNEI's
17 system. FNEI's costs for the power at Moosonee included the cost of generation as well as the
18 cost of transmission to Moosonee. FNEI was directed by the Board to add its operating costs to
19 the price that it charged FAPC and KPC. Both FAPC and KPC were new LDCs (created as part
20 of the FNEI project, to serve their customers commencing on market opening). As such, they

1 had no cash reserves in place to cover the additional cost of pancaked transmission costs (i.e., the
2 FNEI financial model was based on a postage-stamp rate for transmission). As such, FNEI was
3 forced to carry significant accounts receivable for quite some time, eventually writing off the
4 unpaid amounts. Activity in this Account in previous years shows some of the bad debt recovery
5 that did take place. Going forward (i.e., in the 2010 test year and beyond), FNEI anticipates no
6 activity in this account.

7 **4.4 Community Relations**

8 FNEI's community relations costs are made up primarily of those costs recorded in Account
9 5410 (Community Relations Sundry).

10 *Account 5410 - Community Relations Sundry:* FNEI is seen as a very successful First Nation-
11 owned and operated company, which benefits from the ongoing support of its owner
12 communities. Key to maintaining this support has been FNEI's sponsorship of, among other
13 things, school trips, hockey tournaments, community gatherings and various annual scholarships.
14 This Account also records those costs associated with providing (and translating into Cree)
15 occasional newsletters about FNEI's work for the communities.

16 **4.5 Administrative and General Expenses**

17 FNEI's administrative and general expenses are recorded in a number of accounts: Account
18 5605 (Executive Salaries and Expenses), Account 5610 (Management Salaries and Expenses),
19 Account 5615 (General Administrative Salaries and Expenses), Account 5620 (Office Supplies

and Expenses), Account 5630 (Outside Services Employed), Account 5635 (Property Insurance), Account 5640 (Injuries and Damages), Account 5655 (Regulatory Expenses), Account 5670 (Rent), and Account 5675 (Maintenance of General Plant). Some of the specific requirements of Chapter 2 of the Board's *Filing Requirements for Transmission and Distribution Applications* cannot be included in this Schedule because FNEI has only three employees in total and disclosure of compensation and benefits cannot be done on an aggregated basis in a satisfactory way.

Account 5605 - Executive Salaries and Expenses: This Account includes those costs associated with FNEI's directors (stipends, travel costs and disbursements) and FNEI's CEO (salary and benefits, travel costs, and other disbursements). FNEI occasionally requires the presence of the three First Nations' Chiefs at meetings, and any of their associated travel costs are included in this Account.

Account 5610 - Management Salaries and Expenses: This Account in the past has included the salary and benefits of a Transmission Manager, but FNEI's employee that held this position has been on long-term disability since December 2008. The Account does include the salary of FNEI's Operations Manager (as well as benefits, travel and other disbursements). Also recorded in this Account are the costs of providing FNEI's Operations Manager with telecommunications services at his office and certain vehicular operating costs he incurs that are associated with his work for FNEI.

1 *Account 5615 - General Administrative Salaries and Expenses:* This account includes the salary
2 and benefits for FNEI's Administrative Assistant. Occasionally, the Administrative Assistant
3 incurs minor travel costs and disbursements when required at meetings outside Timmins.

4 *Account 5620 - Office Supplies and Expenses:* This Account records any costs incurred for
5 general office supplies, banking costs (including service fees), and any postage or courier
6 charges.

7 *Account 5630 - Outside Services Employed:* This Account records a number of different
8 activities, including:

- 9 • payroll services fees (fixed) in the amount of \$6,000 (annually);
- 10 • auditor fees in the amount of \$40,000;
- 11 • accounting services in the amount of \$78,000 (annual);
- 12 • costs associated with the implementation of International Financial Reporting
13 Standards (\$100,000, amortized over 3 years);
- 14 • miscellaneous consulting services costs (e.g., business planning) in the amount of
15 \$60,000 (annual);
- 16 • off-site documentary archival costs in the amount of \$16,000 (annual);

- 1 • transmission consulting services (pursuant to a contract) in the amount of
- 2 \$120,000 (annual);
- 3 • transmission project coordination services in the amount of \$80,000 (annual); and
- 4 • consultant travel costs in the amount of \$70,000 (annual).

5 Travel costs in this Account (and elsewhere in FNEI's OM&A budget) are significant. There are
6 no roads north of Moosonee that connects Moosonee to any of the three James Bay Communities
7 nor any road that connects any of the communities to one another. Attawapiskat, Fort Albany
8 and Kashechewan are remote, "fly-in only" communities. There is a winter ice road that
9 connects the communities to Moosonee for an approximately 10 week period in the coldest part
10 of winter. Otherwise, any transportation is by air.

11 *Account 5635 - Property Insurance:* This Account includes the costs of maintaining FNEI's
12 boiler and machinery insurance, office and contents insurance and vehicular insurance. All of
13 this insurance is currently placed with Chubb Insurance, through the use of an insurance broker
14 (KRG Insurance Group).

15 *Account 5640 - Injuries and Damages:* This Account records the costs of maintaining general
16 liability insurance for FNEI, as well as director and officer insurance.

17 *Account 5655 - Regulatory Expenses:* This Account records regulatory consultant costs (in the
18 range of \$18,000), various OEB-related costs (\$25,000) and any legal fees incurred.

1 *Account 5670 - Rent:* This Account records the rental costs associated with FNEI's main office
2 in Timmins, Ontario.

3 *Account 5675 - Maintenance of General Plant:* This Account records maintenance and janitorial
4 services at the FNEI main office.

5

Exhibit 4, Tab 2, Schedule 2

OM&A Variance Analysis

OM&A VARIANCE ANALYSIS

This Schedule describes and discusses the key factors that have driven FNEI's OM&A cost variances from the initial Board-approved expenditure level in 2001 up to and including the 2010 test year. Analysis is performed on an account-by-account basis.

The numbers used in FNEI's initial rate application were fairly rough estimates, for several reasons: (a) there was no historical electricity usage data for any of the three connecting customers; (b) the facilities were built in a unique geographic region of the province (very northern muskeg environment); and (c) there was no precedent for a "greenfield" transmission company in Ontario. Consequently, in the initial years of FNEI's operations, the overall OM&A expenses exceeded the Board-approved OM&A amount by some margin before steadying out somewhat in 2005 at approximately \$2.5 million. The Board-approved amount for FNEI pursuant to RP-2001-0036 is \$1.899 million.

In the 2010 test year, FNEI is projecting the overall OM&A expenses to increase materially (approximately \$583,700 from 2009 to 2010). This project increase in OM&A is driven by some 2010 business initiatives and, to a significant extent, by the full year impact of previous years initiatives. Firstly, there have been a number of capital additions to FNEI's system in the past couple of years, the full impact of which will be felt in rate base in 2010 (refer to Exhibit 2, Tab 1, Schedule 2 for FNEI's rate base summary) (including the twinned line constructed to accommodate the De Beers Victor Mine, the spare transformers at each of the three distribution company stations, and the fibre optic network). One consequence of operating a larger system is higher operations and maintenance costs. This is reflected in Exhibit 4, Tab 2, Schedule 3

(page 2) which shows higher anticipated expenditures in Accounts 4810, 4815 and 4825. In addition, as mentioned in Exhibit 4, Tab 2, Schedule 1, as FNEI now moves from a capital expansion phase to more of a maintenance phase, FNEI expects to move some costs normally done by external consultants and workers to an internal employee position (which is reflected in an increase in Accounts 5605 and 5610, and a decrease in Account 5630.

Two other cost drivers account for a higher OM&A expense in the 2010 test year: (a) higher regulatory costs, in part due to the filing of this Application; and (b) higher land use fees (in Account 4850). The reasons for the higher land use fees are set out below under the discussion on Account 4850.

A summary of FNEI's OM&A expense variances is presented in Exhibit 4, Tab 2, Schedule 3.

1.0 Operations

Account 4810 - Load Dispatching: The primary cost drivers in this account are those associated with the Operating Services Agreement between FNEI and Hydro One Networks Inc. ("HONI"), FNEI's service provided under the Operating Services Agreement. The Board-approved expenditure level in FNEI's original rates application was \$100,000 per year. While actual costs were below this estimate in 2002 and 2003, costs began increasing annually in 2004 at a fairly steady rate, with the cost for 2009 estimated to be \$198,900. For the 2010 test year, FNEI is project the cost of services in this Account to increase to \$238,000. These increases are due to increases in HONI's labour costs, as well as the increasing size and complexity of the FNEI

1 transmission system. The Operating Services Agreement covers load dispatching, and ongoing
2 operations and controls at each of the three FNEI-owned transformer stations. As noted in
3 Account 1715 (Station Equipment), the value of FNEI's transformation assets has increased
4 significantly as a result of the connection of three spare transformers. This further explains the
5 increased costs in this Account.

6 *Account 4815 - Station Buildings and Fixtures Expenses:* No expenses were anticipated for this
7 account in FNEI's initial cost of service application. As FNEI began operating, however, it
8 became apparent failure to budget for these costs was an oversight in FNEI's initial rate
9 application. These costs are not significant, and have ranged from a low of \$59,500 (in 2007) to
10 a high of \$107,500 (in 2002). Expenses for the 2010 test year are forecast at \$104,200.

11 *Account 4820 - Transformer Station Equipment Operating Labour:* No expenses were
12 anticipated for this account in FNEI's initial cost of service application. In 2004, however, FNEI
13 began using the services of local utility workers in each of the three communities for station
14 checks. These workers performed a weekly examination of the facilities, running through a
15 checklist which identified potential hazards and corrective maintenance requirements. In 2007,
16 FNEI decided to hire an Operations Technician to work with its Operations Manager to assist in
17 looking after the SCADA and technical operations of the substations. This posting was created as
18 an entry-level position, with the understanding that the successful applicant would be trained to
19 develop into a key component of FNEI's operations. Given the expanded system, FNEI
20 envisions employing a second Operations Technician in May of the 2010 test year.

1 *Account 4850 – Rents:* As discussed in Exhibit 4, Tab 2, Schedule 1, there are two cost drivers
2 in this account: (a) an annual land use permit fee to the Ministry of Natural Resources (“MNR”)
3 for use of provincial Crown lands in the amount of approximately \$18,000; and (b) annual fees
4 for use of Reserve lands to each of the three First Nations, pursuant to permits issued under
5 section 28(2) of the *Indian Act* (Canada).

6 FNEI’s initial rate application did not anticipate the costs required to occupy Albany 67 Reserve
7 lands, consequently only a \$15,000 MNR land use permit fee (estimate) was included in this
8 Account in RP-2001-0036. After some negotiation, the Albany 67 Reserve annual fee was set at
9 \$51,000 per year, divided equally between the Fort Albany First Nation and the Kashechewan
10 First Nation.¹

11 The year-to-year variances in this account are due in part to inconsistent application of
12 accounting policy. The spike in costs in 2004 is due to the settlement of the negotiated fee with
13 Fort Albany First Nation and Kashechewan First Nation of the \$51,000 annual amount, and the
14 consequent payout of several years’ worth of this fee. In the years prior to 2004, FNEI did not
15 accrue \$51,000 annually in this Account. This accrual is now being performed on a monthly
16 basis.

17 The 2010 test year expenses are estimated to be \$102,000 which is higher than historical costs,
18 for a few reasons: (a) the fibre optic pole line from Kashechewan to Attawapiskat will require

¹ Indian Reserve 67 is occupied by both the Kashechewan First Nation and the Fort Albany First Nation.

1 payment to MNR of an additional \$8,000 annually; (b) it has recently come to light (as a result of
2 a survey of the Attawapiskat Reserve lands) that a portion of the Attawapiskat station is located
3 on Indian Reserve 91A (Attawapiskat), and an amount (estimated at \$25,000) will have to be
4 paid to the Attawapiskat First Nation for locating the assets on their Reserve; and (c) land use
5 permit fees to MNR have increased modestly over the years.

7 **2.0 Maintenance**

8 *Account 4916 - Maintenance of Transformer Station Equipment:* The variances in this Account
9 can be explained primarily due to emergency maintenance activities. In those years where few
10 or no emergency maintenance site visits were required, costs have been low. Based on the fact
11 that FNEI now has more transformer station equipment, FNEI has estimated an increased amount
12 of expenditures in this Account.

13 *Account 4930 - Maintenance of Towers, Poles, and Fixtures:* During FNEI's initial years of
14 operation, very little maintenance was required because the line was new. Planned maintenance
15 activities began in fiscal 2005. There was a spike in costs in 2006, primarily due to ice damage
16 cause by flooding of the Albany River. In subsequent years, expenditures in this account were
17 primarily a result of planned maintenance activities. These activities include two annual
18 helicopter patrols, a fall maintenance program performed using ARGOs (all-terrain amphibious
19 vehicles) and a winter maintenance program utilizing heavy equipment (to reset anchors that

1 have been pulled out). Post-2006, expenditures for this work have been fairly flat and FNEI
2 anticipates this to continue to be the case in the coming few years.

3 *Account 4935 - Maintenance of Overhead Conductors and Devices:* While FNEI originally
4 anticipated activity in this account, it was not practical to separate what was done specifically for
5 overhead conductors as opposed to what was completed on the transmission line itself. An
6 attempt was made to do this in 2003, and a portion of FNEI's helicopter patrol costs were
7 assigned to this account. FNEI believes that it does not make sense to carve out this activity
8 from FNEI's maintenance activities for the pole line, so all expenditures are now recorded in
9 Account 4930.

10 **3.0 Billing and Collecting**

11 *Account 5335 - Bad Debt Expense:* As explained in Exhibit 4, Tab 2, Schedule 1, FNEI was
12 required from November 2001 to April 2002 to sell electricity to the Fort Albany Power
13 Corporation ("FAPC") and Kashechewan Power Corporation ("KPC"). The unique market
14 conditions at the time (i.e., pancaked transmission rates) and FAPC's and KPC's status as
15 "greenfield" start-ups resulted in FNEI carrying significant accounts receivable. An allowance
16 of \$904,000 was made in this account in the last quarter of 2002 with an allowance of \$904,000.
17 While a certain portion of this amount was recovered in subsequent years, FNEI decided to cease
18 collection efforts for the outstanding amounts in 2007, as these activities negatively impacted
19 FAPC's and KPC's ongoing operations. For the 2010 test year and beyond, FNEI does not
20 anticipate any costs or recovery in this Account.

4.0 Community Relations

Account 5410 - Community Relations Sundry: The cost drivers for this Account vary from year to year. In 2002, much of the expense in this Account was a result of expenses incurred for translation services (Cree is the first language in all three communities). FNEI required these services for translating community newsletters as well as for the public sessions it held in each community which explained the new transmission line and related issues. Translation is carried out on a contractual basis.

Expenditures in this Account remained relatively flat until 2007. The spike in costs in this year is attributable to FNEI holding a celebration in honour of its 10th anniversary as a corporation and being awarded the Northern Ontario Business of the Year Award. This was a one-time expenditure, primarily made up of travel costs (ensuring that the FNEI Board of Directors, the First Nation Chiefs and Councillors from each First Nation, and other people involved in FNEI's development).

The sharp spike in expenditures in fiscal 2008 and the larger than average expenditure in 2009 resulted from an incident at the transformer station in Kashechewan. An eight-year old boy suffered serious injuries after entering the substation yard. In consultation with its insurers and legal counsel, FNEI decided to provide assistance to the boy and his family on a temporary basis. This included covering travel costs for family members to visit and stay with the boy in Toronto (where he was hospitalized and subsequently received physiotherapy, which is unavailable in Kashechewan) and financial support for the boy's caregiver to assist with the provision of care

1 after his release from hospital. FNEI's insurer reimbursed FNEI \$25,000 for these expenses in
2 2008. Based on counsel's advice, FNEI terminated this support in June 2008. As explained in
3 Exhibit 4, Tab 2, Schedule 1, FNEI has responded to this incident by upgrading each site as per
4 its "Station Civil Upgrades 2009" capital project.

5 FNEI anticipates that for the 2010 test year and beyond expenses will be maintained at the 2009
6 level of approximately \$86,000.

7 *Account 5415 - Energy Conservation:* FNEI did not anticipate spending any money in this
8 Account in its original rates application. In 2006, FNEI purchased compact fluorescent light
9 bulbs and printed a pamphlet in Cree and English to go with each light bulb. With the assistance
10 of the three local distribution companies ("LDCs"), FNEI distributed one light bulb and
11 pamphlet to every household in Fort Albany, Kashechewan, and Attawapiskat to assist in energy
12 conservation awareness. Small amounts will continue to be spent and recorded in this Account
13 for measures such as this.

14 *Account 5420 - Community Safety Program:* FNEI did not anticipate spending any money in this
15 account in its original rates application. However, as a result of community requests and staff
16 observations, FNEI decided to put on annual workshops in schools to help enhance public safety.
17 In 2004, FNEI entered into a three-year agreement with the Electrical Safety Authority ("ESA")
18 to provide safety workshops for elementary school age children in all three communities using
19 the ESA's hazard hamlet teaching tool along with relevant printed materials (his explains the
20 variance that year). In 2007, FNEI purchased its own hazard hamlet and assigned the newly hired

1 Operations Technician the duty of providing annual workshops to all elementary school age
2 children in each community. The costs allocated here include the travel costs required for the
3 Operations Technician to visit each community. None of the Operations Technician's salary and
4 benefits is allocated to this Account.

5 **5.0 Administrative and General Expense**

6 *Account 5605 - Executive Salaries and Expenses:* The activity in this Account between 2002 and
7 2008 is entirely comprised of stipends, travel, and miscellaneous disbursements for FNEI's
8 Board of Directors. The original application requested an annual allotment of \$160,000, taking
9 into consideration the number of Board meetings per year, travel required, etc. This amount was
10 sufficient for the first two years, but by 2004 the costs began to rise as FNEI sought more
11 frequent assistance from its Board of Directors during FNEI's significant capital expansion (and
12 in the case of the De Beers connection, unexpected expansion). The greater than normal
13 expenses in 2005 coincided with FNEI's major capital planning exercise, and the additional
14 Board meetings that were required as a result (something which carried into 2006 when FNEI
15 borrowed an additional \$11 million to complete its capital plan).

16 In 2009, FNEI hired a CEO. Prior to this, FNEI relied on its initial Project Coordinator to
17 provide the majority of the executive leadership (which costs were recorded in Account 5630 –
18 Outside Services Employed). As a result, the costs recorded in Account 5630 have dropped
19 (further explained in the variance note under this account).

1 Increases in 2009 expenditures in Account 5606 can also be attributed to: (a) more Board and
2 Committee meetings with the new CEO to set strategic direction; and (b) a joint meeting
3 between the CEO, the three Chiefs, and the Board of Directors. The 2010 test year identifies
4 \$100,000 for three of these joint meetings (which includes travel costs, a per diem honoraria,
5 accommodation, etc.).

6 *Account 5610 - Management Salaries and Expenses:* FNEI originally forecast \$124,000
7 annually for expenditures allocated to this Account in 2001. In 2002, the increase over the
8 forecasted amount is attributable to additional travel costs incurred by FNEI's Operations
9 Manager to travel to the remote sites in order to familiarize himself with the installations and
10 provide supervision over some of the capital work being done at that time. These costs
11 decreased in subsequent years, with the exception being 2006. .

12 Fiscal 2006 expenditures were higher due to a variety of things, including: (a) a high level of
13 activity at the transformer sites; (b) extensive flood damage during the spring ice break-up of the
14 Albany River; and (c) FNEI acquiring the services of a retired Hydro One lineman to assist the
15 Operations Manager with restoration of downed lines and future projects.

16 In 2007, FNEI made a change in accounting policy whereby any such travel costs to one of the
17 stations would be allocated to either Account 4916 (Maintenance of Transformer Station
18 Equipment) or a specific capital project. This accounts for the lower amounts in this Account in
19 subsequent years. Since 2007, travel expenses for the Operations Manager recorded in this

1 Account were limited to the travel required to attend Board meetings, stakeholder meetings,
2 workshops, training, etc

3 *Account 5615 - General Administrative Salaries and Expenses:* Expenditures recorded in this
4 Account up to 2005 were materially lower than the Board-approved amount primarily because
5 the Administrative Assistant position was not filled until that time. Costs recorded in this
6 Account prior to 2005 included travel costs for FNEI's apprenticeship coordinator, who was
7 hired to assist with the training of the LDC's apprentices. FNEI planned to use these apprentices
8 for weekly station checks as well as ongoing line maintenance and trouble calls. Having line
9 workers stationed in each community has proven to be extremely valuable to FNEI by
10 significantly reducing FNEI's operations costs.

11 For the 2010 test year and beyond, FNEI anticipates hiring an office manager to assist with the
12 day-to-day administrative duties. The workload has grown beyond work for a single person (i.e.,
13 the existing Administrative Assistant).

14 *Account 5620 - Office Supplies and Expenses:* FNEI's original rate application underestimated
15 the costs required for this account. The 2010 test year forecast is approximately the average over
16 the preceding years.

17 *Account 5630 - Outside Services Employed:* This Account includes payroll services
18 administration costs, auditing fees, accounting services, general consulting services, transmission
19 consulting services, project coordination services, and travel related to these activities.

1 The Board-approved amount for this Account (RP-2001-0036) was \$230,000 level. In the first
2 couple of years of operations, actual expenditures only modestly exceeded this amount (by
3 \$9,000 in 2002 and \$12,800 in 2003). The spike in 2004 is explained by the fact that the Project
4 Coordinator's costs began to be recorded in this Account in that year. Prior to this, these costs
5 were capitalized as part of the original project construction costs and were (after initial
6 construction was completed) included as "market readiness costs" in Account 5665 –
7 Miscellaneous General Expenses (additional details provided below). The Project Coordinator's
8 services were vital during this period of significant capital construction and planning.

9 The subsequent increases in 2005, 2006, and 2007 can be explained by other activities
10 undertaken by FNEI. The services of a retired engineer were engaged in 2003 to assist the
11 Operations Manager and the Project Coordinator. This assistance proved invaluable in planning
12 for the major capital projects undertaken beginning in 2006. In 2006, the increased amounts
13 recorded in this Account is also attributable to FNEI pursuing financing options for the proposed
14 capital additions.

15 Costs increased materially in 2007 when FNEI's Operations Manager became seriously ill, and
16 the person responsible for FNEI's accounting took a more active role in the day-to-day
17 management of the operations (FNEI's transmission consultant and Project Coordinator also
18 helped out with these obligations). Eventually an individual was hired on a contract basis and
19 replaced the Operations Manager, who left on long term sick leave.

1 Costs dropped significantly in 2008 as these general consulting activities were reduced, and
2 dropped even more in 2009 after FNEI's CEO assumed many of the responsibilities and
3 activities previously carried on by outside resources.

4 *Account 5635 – Property Insurance:* Variances in this Account are due primarily to FNEI's
5 over-estimation of this cost in FNEI's original rate application. FNEI was not able to obtain
6 insurance on the transmission line in 2001 (shortly after the Quebec ice storm, transmission line
7 insurance was basically non-existent) and so, in agreement with its lenders, FNEI began the
8 process of setting aside funds in an Insurance Reserve. Until this was fully funded in March
9 2007, FNEI's lenders required FNEI to have a backstop insurance agreement with HONI. That
10 backstop insurance agreement had an annual fee of \$125,000. Since the Insurance Reserve has
11 been fully funded, insurance costs have decreased.

12 Although FNEI's assets have grown significantly, proper maintenance and safety practices have
13 resulted in no insurance claims, causing a drop in premiums over time.

14 *Account 5640 - Injuries and Damages:* The cost for liability insurance was underestimated in the
15 original rate application. The actual costs of this insurance are fairly stable and no major
16 variances are anticipated going forward.

17 *Account 5655 - Regulatory Expenses:* Amounts recorded in this Account have remained below
18 what was approved in RP-2001-0036. The spike in 2006 can be attributed to the additional work
19 legal and consulting work associated with FNEI's last major financing.

1 For the 2010 test year, FNEI is requesting a slight decrease of \$7,000 from the amount approved
2 in RP-2001-0036. FNEI expects costs to be higher than in the past few years in part because of
3 this Application.

4 *Account 5665 - Miscellaneous General Expenses:* This Account is used to record activities that
5 do not fit under other USoA accounts. FNEI requested \$25,000 in its original rates application
6 for miscellaneous costs. There was a large spike in 2002 (total expenditures were over
7 \$700,000) and a total of \$846,000 was expended in 2003. The costs for 2002 and 2003 were
8 required for FNEI to prepare itself and the three First Nation owned LDCs for compliance with
9 the new electricity market rules (this required significant expense and FNEI was the only party
10 able to fund this). These activities included training for the LDC Managers, office staff members,
11 and directors. Activities also included the design and implementation of systems required by the
12 IESO as well as LDC policy development costs. FNEI requested funding from Indian and
13 Northern Affairs Canada to cover these costs. Eventually INAC agreed to fund an amount of
14 \$684, 974 which explains the recovery in 2004. These “soft cost” amounts were not provided for
15 in FNEI’s initial financing to build the system. These costs should be treated as anomalous.

16 *Account 5670 - Rent:* This account is used to record the cost of renting office space in Timmins.
17 The variance can be explained in that it was not known at the time of the initial rate application
18 where FNEI’s office would be located, whether a building would be purchased or built, or
19 whether space would be rented. FNEI’s Board of Directors decided in 2003 to begin renting
20 space in a building in Timmins. The costs increased as more space was taken up within that
21 building. Initial space was required for the Operations Manager and the individual contracted to

1 do the accounting. Since then, space was required for the Administrative Assistant and the
2 Operations Technician as those positions were filled. FNEI anticipates that this rental cost will
3 remain constant going forward with slight inflationary increases only until such time as it may
4 require its own stand-alone office building/warehouse installation. Leasehold improvements that
5 took place over the prior years are recorded in capital account 1910 (Leasehold Improvements).

6 *Account 5675 - Maintenance of General Plant:* The expenses in this account were also not
7 anticipated in the original rate application. Janitorial costs are recorded in this account as are
8 minor tenant responsibility repairs as well. The spike in 2004 is due to FNEI undertaking
9 significant due diligence to determine whether or not FNEI should purchase the Timmins
10 building. This building came up for sale however after extensive investigation and discussion at
11 the Board of Directors level it was decided not to purchase the building. For 2009 as well as the
12 2010 test year and beyond FNEI anticipates this cost to be \$7,500.

Exhibit 4, Tab 2, Schedule 3

Numerical Summary of OM&A (including variances)

FIVE NATIONS ENERGY INC.

Numerical Summary of Operations, Maintenance and Administration
(\$000's)

	<u>Board Approved</u> <u>RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
4805 - Operation Supervision & Engineering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4810 - Load Dispatching	100.0	64.4	87.7	110.3	116.0	136.8	172.9	154.8	198.9	238.7
4815 - Station Buildings & Fixtures Expenses	0.0	107.5	91.5	66.8	62.1	70.3	59.5	71.4	86.9	104.2
4820 - Transformer Station Equipment - Operating Labour	0.0	0.0	0.0	40.0	30.0	39.2	107.9	99.0	107.2	189.2
4825 - Transformer Station Equipment - Operating Supplies & Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4830 - Overhead Line Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4835 - Underground Line Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4840 - Transmission of Electricity by Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4845 - Miscellaneous Transmission Expense	0.0	0.0	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4850 - Rents	15.0	16.9	17.3	267.6	33.7	66.6	68.2	69.9	69.0	102.0
4905 - Maintenance Supervision & Engineering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4910 - Maintenance of Transformer Station Buildings & Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4916 - Maintenance of Transformer Station Equipment	143.3	265.7	225.4	131.3	275.2	126.2	346.2	196.9	280.0	348.0
4930 - Maintenance of Towers, Poles & Fixtures	57.0	0.0	73.5	76.7	147.2	175.6	90.9	120.3	100.0	120.0
4935 - Maintenance of Overhead Conductors and Devices	19.0	0.0	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4940 - Maintenance of Overhead Lines - Right of Way	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4945 - Maintenance of Overhead Lines - Roads & Trails Repairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4950 - Maintenance of Overhead Lines - Snow Removal from Roads & Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4960 - Maintenance of Underground Lines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4965 - Maintenance of Miscellaneous Transmission Plant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5335 - Bad Debt Expense	0.0	904.3	73.2	83.6	(20.1)	(51.4)	(46.6)	(46.2)	0.0	0.0
5410 - Community Relations - Sundry	50.0	59.6	55.9	69.7	62.5	61.6	201.0	119.1	86.0	86.0
5415 - Energy Conservation	0.0	0.0	0.0	0.0	0.0	4.0	0.6	0.0	20.0	30.0
5420 - Community Safety Program	0.0	0.0	0.0	26.0	37.6	29.6	9.0	0.0	9.0	9.0
5605 - Executive Salaries & Expenses	160.0	78.2	118.6	168.5	200.3	180.9	248.4	246.7	437.1	665.5
5610 - Management Salaries & Expenses	124.0	157.9	130.6	159.4	183.4	230.3	161.8	151.7	172.5	207.5
5615 - General Administrative Salaries & Expenses	65.0	61.5	26.0	6.8	38.7	64.6	45.5	38.7	51.9	115.7
5620 - Office Supplies & Expenses	4.2	8.5	14.5	22.7	28.8	19.4	22.3	12.8	23.5	23.5
5625 - Administrative Expense Transferred - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5630 - Outside Services Employed	230.0	239.3	252.1	562.3	621.5	648.6	720.4	555.6	655.0	503.3
5635 - Property Insurance	486.4	280.4	103.4	223.5	211.4	222.5	112.6	91.0	89.0	89.0
5640 - Injuries & Damages	69.6	161.7	141.4	171.9	143.7	154.0	148.0	138.9	140.0	140.0
5645 - Employee Pensions & Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5650 - Franchise Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5655 - Regulatory Expenses	350.0	241.9	261.3	257.3	210.1	312.0	295.9	201.0	220.0	343.0
5660 - General Advertising Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5665 - Miscellaneous General Expenses	25.0	707.0	846.1	(679.9)	0.0	0.0	0.0	0.0	15.0	30.0
5670 - Rent	0.0	0.0	19.1	16.0	22.6	23.4	24.0	25.5	34.0	34.0
5675 - Maintenance of General Plant	0.0	0.0	8.0	40.3	6.9	5.4	2.9	3.6	7.5	7.5
5680 - Electrical Safety Authority Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5685 - Independent Market Operator Fees & Penalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total O, M & A Costs	1,898.5	3,354.6	2,562.8	1,820.9	2,411.5	2,519.7	2,791.5	2,250.9	2,802.5	3,386.1

(1) Board Approved period was Nov/01 through Oct/02

FIVE NATIONS ENERGY INC.

Numerical Summary of Operations, Maintenance and Administration
(\$000's)

	<u>Variance</u> <u>2002 vs. B.A.</u>	<u>Variance</u> <u>2003 vs. 2002</u>	<u>Variance</u> <u>2004 vs. 2003</u>	<u>Variance</u> <u>2005 vs. 2004</u>	<u>Variance</u> <u>2006 vs. 2005</u>	<u>Variance</u> <u>2007 vs. 2006</u>	<u>Variance</u> <u>2008 vs. 2007</u>	<u>Variance</u> <u>2009 vs. 2008</u>	<u>Variance</u> <u>2010 vs. 2009</u>
4805 - Operation Supervision & Engineering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4810 - Load Dispatching	(35.6)	23.4	22.6	5.7	20.8	36.1	(18.0)	44.1	39.8
4815 - Station Buildings & Fixtures Expenses	107.5	(16.0)	(24.7)	(4.7)	8.2	(10.8)	11.9	15.5	17.4
4820 - Transformer Station Equipment - Operating Labour	0.0	0.0	40.0	(10.0)	9.2	68.7	(8.9)	8.2	82.0
4825 - Transformer Station Equipment - Operating Supplies & Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4830 - Overhead Line Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4835 - Underground Line Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4840 - Transmission of Electricity by Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4845 - Miscellaneous Transmission Expense	0.0	6.6	(6.6)	0.0	0.0	0.0	0.0	0.0	0.0
4850 - Rents	1.9	0.4	250.3	(234.0)	32.9	1.6	1.8	(0.9)	33.0
4905 - Maintenance Supervision & Engineering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4910 - Maintenance of Transformer Station Buildings & Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4916 - Maintenance of Transformer Station Equipment	122.4	(40.2)	(94.2)	144.0	(149.0)	220.0	(149.3)	83.1	68.0
4930 - Maintenance of Towers, Poles & Fixtures	(57.0)	73.5	3.2	70.5	28.4	(84.7)	29.4	(20.3)	20.0
4935 - Maintenance of Overhead Conductors and Devices	(19.0)	10.4	(10.4)	0.0	0.0	0.0	0.0	0.0	0.0
4940 - Maintenance of Overhead Lines - Right of Way	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4945 - Maintenance of Overhead Lines - Roads & Trails Repairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4950 - Maintenance of Overhead Lines - Snow Removal from Roads & Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4960 - Maintenance of Underground Lines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4965 - Maintenance of Miscellaneous Transmission Plant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5335 - Bad Debt Expense	904.3	(831.1)	10.4	(103.8)	(31.3)	4.9	0.4	46.2	0.0
5410 - Community Relations - Sundry	9.6	(3.7)	13.8	(7.2)	(0.9)	139.4	(82.0)	(33.1)	0.0
5415 - Energy Conservation	0.0	0.0	0.0	0.0	4.0	(3.4)	(0.6)	20.0	10.0
5420 - Community Safety Program	0.0	0.0	26.0	11.6	(8.0)	(20.6)	(9.0)	9.0	0.0
5605 - Executive Salaries & Expenses	(81.8)	40.4	50.0	31.7	(19.4)	67.5	(1.6)	190.4	228.4
5610 - Management Salaries & Expenses	33.9	(27.3)	28.7	24.0	47.0	(68.5)	(10.2)	20.8	35.0
5615 - General Administrative Salaries & Expenses	(3.5)	(35.5)	(19.2)	31.9	25.9	(19.1)	(6.8)	13.2	63.8
5620 - Office Supplies & Expenses	4.3	6.1	8.2	6.1	(9.4)	2.9	(9.5)	10.7	0.0
5625 - Administrative Expense Transferred - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5630 - Outside Services Employed	9.3	12.8	310.3	59.2	27.1	71.8	(164.8)	99.4	(151.7)
5635 - Property Insurance	(206.0)	(177.0)	120.2	(12.2)	11.1	(109.9)	(21.6)	(2.0)	0.0
5640 - Injuries & Damages	92.1	(20.3)	30.5	(28.2)	10.3	(6.0)	(9.1)	1.1	0.0
5645 - Employee Pensions & Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5650 - Franchise Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5655 - Regulatory Expenses	(108.1)	19.4	(4.0)	(47.1)	101.9	(16.2)	(94.9)	19.0	123.0
5660 - General Advertising Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5665 - Miscellaneous General Expenses	682.0	139.1	(1,526.0)	679.9	0.0	0.0	0.0	15.0	15.0
5670 - Rent	0.0	19.1	(3.1)	6.6	0.8	0.6	1.5	8.5	0.0
5675 - Maintenance of General Plant	0.0	8.0	32.3	(33.4)	(1.5)	(2.5)	0.8	3.9	0.0
5680 - Electrical Safety Authority Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5685 - Independent Market Operator Fees & Penalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total O, M & A Costs	1,456.1	(791.9)	(741.8)	590.6	108.1	271.8	(540.6)	551.6	583.7

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 4, Tab 3, Schedule 1

Depreciation and Amortization

DEPRECIATION AND AMORTIZATION

FNEI uses straight-line depreciation calculations based on the depreciable gross book value of each asset class. The rates utilized by FNEI are as follows:

USofA	Description	Depreciation Rate
1715	Station Equipment	2.50%
1725	Poles and Fixtures	4.00%
1730	Overhead Conductors & Devices	4.00%
1908	Buildings and Fixtures	4.00%
1910	Leasehold Improvements	50.00%
1915	Office Furniture & Equipment	20.00%
1920	Computer Equipment Hardware	50.00%
1925	Computer Software	20.00%
1930	Transportation Equipment	20.00%
1940	Tools, Shop and Garage Equipment	20.00%

The *Electricity Distribution Rate Handbook* ("EDHR") does not provide a depreciation rate for asset in Account 1925 (Computer Software). FNEI uses a 5-year amortization period (20.00% depreciation rate), which FNEI understands to be the norm being applied by other Ontario utilities.

FNEI does not use the EDHR's depreciation rates for three of the asset classes noted above, as follows:

1

USofA	Description	Depreciation Rate (FNEI)	Depreciation Rate (EDR)
1908	Buildings and Fixtures	4.00%	2.00%
1915	Office Furniture & Equipment	20.00%	10.00%
1940	Tools, Shop and Garage Equipment	20.00%	10.00%

2

3 With respect to asset values recorded in Account 1915 (Office Furniture & Equipment) and
4 Account 1940 (Tools, Shop and Garage Equipment), FNEI and its accounting firm have always
5 utilized these same depreciation rates. These rates were those used in FNEI's original rate
6 application (RP-2001-0036). The value of FNEI's assets recorded in Account 1915 and 1940 are
7 not material (\$48,500 and \$83,200, respectively, in the 2010 test year). Going forward, FNEI
8 does not have any preference for continuing to use FNEI's historic depreciation rates for these
9 asset classes or changing to the depreciation rates in the EDRH.

10 For asset values recorded in Account 1908 (Building and Fixtures), FNEI again has always used
11 the 4.00% depreciation rate. FNEI believes that this is a more appropriate amortization period
12 than the 2.00% depreciation rate used in the EDRH, because most buildings and fixtures
13 recorded by FNEI in this Account would be expected to have a 25-year life rather than a 50-year
14 life. The landscape, climate and high cost of construction means that concrete or brick structures
15 are extremely rare.

- 1 Please refer to Exhibit 4, Tab 3, Schedule 2 and Exhibit 4, Tab 3, Schedule 3 for the numerical
- 2 depreciation schedules.

Exhibit 4, Tab 3, Schedule 2

Numerical Summary of Depreciation and Amortization

FIVE NATIONS ENERGY INC.

Numerical Summary of Depreciation and Amortization
(\$000's)

<u>Asset Class</u>	<u>Board Approved RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	210.6	111.9	95.8	78.6	84.0	120.2	155.0	222.0	279.7	338.2
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	659.6	325.4	336.8	247.7	229.5	240.8	254.0	263.2	281.6	455.5
1730 - Overhead Conductors & Devices	219.9	108.5	112.3	80.9	73.0	73.2	73.7	73.8	93.7	288.9
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	2.1	7.2	8.8	9.9	11.4	14.5	15.1
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	5.5	10.0	11.5	(2.3)	0.4	1.1
1915 - Office Furniture & Equipment	0.0	0.0	1.8	3.8	6.3	8.4	10.1	8.7	6.7	4.6
1920 - Computer Equipment - Hardware	4.1	8.8	11.7	14.1	18.2	22.8	25.2	6.4	14.2	11.5
1925 - Computer Software	0.0	0.0	0.8	1.0	0.2	0.2	0.6	1.1	1.2	1.3
1930 - Transportation Equipment	6.4	6.4	7.0	13.8	17.8	24.4	28.9	44.9	58.7	49.0
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.9	1.9	5.5	7.9	14.0	15.9	24.9	22.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciation & Amortization	1,100.6	561.0	567.0	444.0	447.1	516.4	582.9	645.2	775.6	1,187.4

(1) Board Approved period was Nov/01 through Oct/02

FIVE NATIONS ENERGY INC.

Numerical Summary of Depreciation and Amortization
(\$000's)

<u>Asset Class</u>	<u>Variance</u> <u>2002 vs. B.A.</u>	<u>Variance</u> <u>2003 vs. 2002</u>	<u>Variance</u> <u>2004 vs. 2003</u>	<u>Variance</u> <u>2005 vs. 2004</u>	<u>Variance</u> <u>2006 vs. 2005</u>	<u>Variance</u> <u>2007 vs. 2006</u>	<u>Variance</u> <u>2008 vs. 2007</u>	<u>Variance</u> <u>2009 vs. 2008</u>	<u>Variance</u> <u>2010 vs. 2009</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	(98.7)	(16.1)	(17.2)	5.4	36.2	34.8	67.0	57.8	58.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	(334.2)	11.4	(89.0)	(18.2)	11.3	13.3	9.2	18.4	173.9
1730 - Overhead Conductors & Devices	(111.4)	3.8	(31.4)	(7.9)	0.2	0.5	0.1	19.9	195.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	2.1	5.1	1.6	1.1	1.5	3.1	0.6
1910 - Leasehold Improvements	0.0	0.0	0.0	5.5	4.5	1.5	(13.8)	2.7	0.7
1915 - Office Furniture & Equipment	0.0	1.8	2.0	2.5	2.1	1.7	(1.3)	(2.0)	(2.2)
1920 - Computer Equipment - Hardware	4.7	2.9	2.4	4.1	4.6	2.5	(18.8)	7.7	(2.6)
1925 - Computer Software	0.0	0.8	0.2	(0.8)	(0.0)	0.4	0.6	0.1	0.1
1930 - Transportation Equipment	0.0	0.5	6.8	4.0	6.6	4.5	16.0	13.9	(9.8)
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.9	1.1	3.6	2.4	6.1	1.9	9.0	(2.6)
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciation & Amortization	(539.6)	6.0	(123.1)	3.2	69.3	66.5	62.3	130.4	411.8

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 4, Tab 3, Schedule 3

Detailed Depreciation and Amortization

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - Board Approved RP-2001-0036 (1)
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	0.0	0.0	0.0	9,795.1	1,370.7	8,424.4	2.50%	210.6	0.0	210.6	8,213.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	0.0	0.0	0.0	18,823.7	2,334.2	16,489.5	4.00%	659.6	0.0	659.6	15,829.9
1730 - Overhead Conductors & Devices	0.0	0.0	0.0	6,274.6	778.1	5,496.5	4.00%	219.9	0.0	219.9	5,276.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	4.00%	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	20.00%	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	0.0	0.0	0.0	20.4	0.0	20.4	20.00%	4.1	0.0	4.1	16.3
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	0.0	0.0	0.0	32.1	0.0	32.1	20.00%	6.4	0.0	6.4	25.7
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	20.00%	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	34,945.9	4,483.0	30,462.9		1,100.6	0.0	1,100.6	29,362.3

(1) Board Approved period was Nov/01 through Oct/02

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2002
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	7,920.8	28.6	7,892.2	(312.0)	2,356.7	5,252.0	4,685.0	2.50%	111.9	(17.8)	122.7	5,129.4
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	13,986.2	90.2	13,896.0	2,823.5	4,607.2	12,202.5	7,894.3	4.00%	325.4	(61.4)	354.2	11,848.3
1730 - Overhead Conductors & Devices	4,662.1	30.1	4,632.0	941.2	1,535.7	4,067.5	2,790.1	4.00%	108.5	(20.5)	118.1	3,949.4
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.00%	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.00%	0.0	0.0	0.0	0.0
1920 - Computer Equipment - Hardware	21.7	0.9	20.9	31.1	0.0	52.9	44.1	20.00%	8.8	0.0	9.7	43.2
1925 - Computer Software	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1930 - Transportation Equipment	32.1	4.8	27.3	0.0	0.0	32.1	32.1	20.00%	6.4	0.0	11.2	20.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.00%	0.0	0.0	0.0	0.0
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.00%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	26,622.9	154.6	26,468.3	3,483.7	8,499.7	21,606.9	15,445.5		561.0	(99.7)	615.8	20,991.1

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2003
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	5,252.0	122.7	5,129.4	260.4	1,940.8	3,571.6	3,831.6	2.50%	95.8	0.0	218.5	3,353.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	12,202.5	354.2	11,848.3	227.2	4,791.4	7,638.3	8,419.5	4.00%	336.8	0.0	691.0	6,947.3
1730 - Overhead Conductors & Devices	4,067.5	118.1	3,949.4	75.8	1,597.1	2,546.1	2,806.5	4.00%	112.3	0.0	230.3	2,315.8
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.00%	0.0	0.0	0.0	0.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	0.0	0.0	0.0	14.7	0.0	14.7	8.9	20.00%	1.8	0.0	1.8	12.9
1920 - Computer Equipment - Hardware	52.9	9.7	43.2	11.0	0.0	63.9	58.5	20.00%	11.7	0.0	21.4	42.5
1925 - Computer Software	0.0	0.0	0.0	2.1	0.0	2.1	1.7	50.00%	0.8	0.0	0.8	1.3
1930 - Transportation Equipment	32.1	11.2	20.8	32.5	0.0	64.6	34.8	20.00%	7.0	0.0	18.2	46.4
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.0	0.0	0.0	7.7	0.0	7.7	4.5	20.00%	0.9	0.0	0.9	6.8
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.00%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	21,606.9	615.8	20,991.1	631.4	8,329.3	13,909.0	15,166.0		567.0	0.0	1,182.9	12,726.1

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2004
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,571.6	218.5	3,353.1	347.6	694.6	3,224.6	3,145.3	2.50%	78.6	0.0	297.1	2,927.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	7,638.3	691.0	6,947.3	184.5	2,244.3	5,578.5	6,193.6	4.00%	247.7	(125.4)	813.3	4,765.2
1730 - Overhead Conductors & Devices	2,546.1	230.3	2,315.8	8.5	745.6	1,809.1	2,022.2	4.00%	80.9	(41.8)	269.4	1,539.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	0.0	0.0	0.0	172.9	0.0	172.9	66.5	4.00%	2.1	0.0	2.1	170.9
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	14.7	1.8	12.9	8.0	0.0	22.7	19.0	20.00%	3.8	0.0	5.6	17.1
1920 - Computer Equipment - Hardware	63.9	21.4	42.5	9.8	0.0	73.7	70.6	20.00%	14.1	0.0	35.5	38.2
1925 - Computer Software	2.1	0.8	1.3	0.0	0.0	2.1	2.1	50.00%	1.0	0.0	1.8	0.3
1930 - Transportation Equipment	64.6	18.2	46.4	7.5	0.0	72.1	68.9	20.00%	13.8	0.0	32.0	40.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	7.7	0.9	6.8	15.3	0.0	23.021	9.7	20.00%	1.9	0.0	2.8	20.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.00%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	13,909.0	1,182.9	12,726.1	754.1	3,684.5	10,978.7	11,597.9		444.0	(167.2)	1,459.7	9,519.0

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2005
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,224.6	297.1	2,927.5	277.8	0.0	3,502.4	3,361.9	2.50%	84.0	0.0	381.1	3,121.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	5,578.5	813.3	4,765.2	292.9	0.0	5,871.5	5,737.3	4.00%	229.5	0.0	1,042.9	4,828.6
1730 - Overhead Conductors & Devices	1,809.1	269.4	1,539.6	19.8	0.0	1,828.8	1,825.0	4.00%	73.0	0.0	342.4	1,486.4
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	172.9	2.1	170.9	10.2	0.0	183.2	178.9	4.00%	7.2	0.0	9.2	173.9
1910 - Leasehold Improvements	0.0	0.0	0.0	13.3	0.0	13.3	10.9	50.00%	5.5	0.0	5.5	7.9
1915 - Office Furniture & Equipment	22.7	5.6	17.1	13.2	0.0	35.8	31.3	20.00%	6.3	0.0	11.9	24.0
1920 - Computer Equipment - Hardware	73.7	35.5	38.2	31.8	0.0	105.5	91.5	20.00%	18.2	0.0	53.7	51.9
1925 - Computer Software	2.1	1.8	0.3	0.0	0.0	2.1	2.1	20.00%	0.2	0.0	2.0	0.1
1930 - Transportation Equipment	72.1	32.0	40.1	53.8	32.1	93.8	89.2	20.00%	17.8	(24.6)	25.2	68.7
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	23.0	2.8	20.2	7.4	0.0	30.5	27.5	20.00%	5.5	0.0	8.3	22.1
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	10,978.7	1,459.7	9,519.0	720.4	32.1	11,667.0	11,355.6		447.1	(24.6)	1,882.2	9,784.8

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2006
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	3,502.4	381.1	3,121.3	2,191.6	0.0	5,693.9	4,807.5	2.50%	120.2	0.0	501.3	5,192.7
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	5,871.5	1,042.9	4,828.6	351.6	0.0	6,223.0	6,019.3	4.00%	240.8	0.0	1,283.7	4,939.4
1730 - Overhead Conductors & Devices	1,828.8	342.4	1,486.4	1.8	0.0	1,830.6	1,829.6	4.00%	73.2	0.0	415.6	1,415.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	183.2	9.2	173.9	64.2	0.0	247.3	218.8	4.00%	8.8	0.0	18.0	229.4
1910 - Leasehold Improvements	13.3	5.5	7.9	7.4	0.0	20.7	19.9	50.00%	10.0	0.0	15.4	5.3
1915 - Office Furniture & Equipment	35.8	11.9	24.0	14.0	0.0	49.8	42.0	20.00%	8.4	0.0	20.3	29.5
1920 - Computer Equipment - Hardware	105.5	53.7	51.9	15.2	0.0	120.7	115.8	20.00%	22.8	0.0	76.4	44.2
1925 - Computer Software	2.1	2.0	0.1	2.5	0.0	4.6	2.7	20.00%	0.2	0.0	2.2	2.4
1930 - Transportation Equipment	93.8	25.2	68.7	50.5	0.0	144.3	121.8	20.00%	24.4	0.0	49.5	94.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	30.5	8.3	22.1	34.8	0.0	65.3	39.3	20.00%	7.9	0.0	16.2	49.1
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	11,667.0	1,882.2	9,784.8	2,733.4	0.0	14,400.4	13,216.8		516.4	0.0	2,398.6	12,001.8

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2007
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	5,693.9	501.3	5,192.7	1,255.6	15.5	6,934.1	6,201.1	2.50%	155.0	0.0	656.3	6,277.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,223.0	1,283.7	4,939.4	275.5	1.5	6,497.0	6,351.2	4.00%	254.0	0.0	1,537.7	4,959.3
1730 - Overhead Conductors & Devices	1,830.6	415.6	1,415.0	18.3	3.6	1,845.3	1,844.0	4.00%	73.7	0.0	489.3	1,356.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	247.3	18.0	229.4	0.0	0.0	247.3	247.3	4.00%	9.9	0.0	27.9	219.5
1910 - Leasehold Improvements	20.7	15.4	5.3	3.9	0.0	24.7	23.0	50.00%	11.5	0.0	26.9	(2.3)
1915 - Office Furniture & Equipment	49.8	20.3	29.5	2.7	0.0	52.5	50.4	20.00%	10.1	0.0	30.4	22.2
1920 - Computer Equipment - Hardware	120.7	76.4	44.2	11.6	0.0	132.3	129.6	20.00%	25.2	0.0	101.7	30.7
1925 - Computer Software	4.6	2.2	2.4	1.4	0.0	5.9	4.9	20.00%	0.6	0.0	2.7	3.2
1930 - Transportation Equipment	144.3	49.5	94.8	0.0	0.0	144.3	144.3	20.00%	28.9	0.0	78.4	65.9
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	65.3	16.2	49.1	6.9	0.0	72.2	70.0	20.00%	14.0	0.0	30.2	41.9
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.00%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	14,400.4	2,398.6	12,001.8	1,575.9	20.6	15,955.7	15,065.8		582.9	0.0	2,981.5	12,974.2

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2008
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	6,934.1	656.3	6,277.8	3,394.7	0.0	10,328.7	8,879.8	2.50%	222.0	0.0	878.2	9,450.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,497.0	1,537.7	4,959.3	104.7	1.4	6,600.3	6,580.7	4.00%	263.2	0.0	1,800.9	4,799.3
1730 - Overhead Conductors & Devices	1,845.3	489.3	1,356.0	0.0	0.0	1,845.3	1,845.4	4.00%	73.8	0.0	563.1	1,282.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	247.3	27.9	219.5	99.6	0.0	346.9	283.8	4.00%	11.4	0.0	39.2	307.7
1910 - Leasehold Improvements	24.7	26.9	(2.3)	0.0	0.0	24.7	24.7	50.00%	(2.3)	0.0	24.7	0.0
1915 - Office Furniture & Equipment	52.5	30.4	22.2	0.0	0.0	52.5	52.5	20.00%	8.7	0.0	39.1	13.4
1920 - Computer Equipment - Hardware	132.3	101.7	30.7	1.5	0.0	133.8	133.3	20.00%	6.4	0.0	108.1	25.7
1925 - Computer Software	5.9	2.7	3.2	2.3	0.0	8.2	7.7	20.00%	1.1	0.0	3.9	4.3
1930 - Transportation Equipment	144.3	78.4	65.9	132.0	0.0	276.3	227.2	20.00%	44.9	0.0	123.3	153.0
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	72.2	30.2	41.9	18.5	0.0	90.6	84.1	20.00%	15.9	0.0	46.1	44.5
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	15,955.7	2,981.5	12,974.2	3,753.2	1.4	19,707.4	18,119.3		645.177	0.0	3,626.7	16,080.8

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2009
(\$000's)

<u>Fixed Assets</u>	<u>Opening</u> <u>Assets At</u> <u>Cost</u>	<u>Opening</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Opening</u> <u>Net Book</u> <u>Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted</u> <u>Cost Base</u>	<u>Average</u> <u>Cost Base</u>	<u>Depreciation</u> <u>Rate</u>	<u>Depreciation</u> <u>Expense</u>	<u>Accumulated</u> <u>Depreciation</u> <u>Adjustments</u>	<u>Closing</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Closing</u> <u>Net Book</u> <u>Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	10,328.7	878.2	9,450.5	3,111.5	0.0	13,440.2	11,189.9	2.50%	279.7	0.0	1,158.0	12,282.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	6,600.3	1,800.9	4,799.3	4,767.7	0.0	11,368.0	7,040.1	4.00%	281.6	0.0	2,082.5	9,285.5
1730 - Overhead Conductors & Devices	1,845.3	563.1	1,282.2	5,342.7	0.0	7,188.0	2,342.6	4.00%	93.7	0.0	656.8	6,531.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	346.9	39.2	307.7	17.9	0.0	364.8	361.2	4.00%	14.5	0.0	53.7	311.1
1910 - Leasehold Improvements	24.7	24.7	0.0	1.1	0.0	25.7	25.5	50.00%	0.4	0.0	25.1	0.7
1915 - Office Furniture & Equipment	52.5	39.1	13.4	0.7	0.0	53.2	52.8	20.00%	6.7	0.0	45.8	7.4
1920 - Computer Equipment - Hardware	133.8	108.1	25.7	15.3	0.0	149.1	141.3	20.00%	14.2	0.0	122.3	26.8
1925 - Computer Software	8.2	3.9	4.3	0.0	0.0	8.2	8.2	20.00%	1.2	0.0	5.1	3.1
1930 - Transportation Equipment	276.3	123.3	153.0	54.4	0.0	330.7	330.6	20.00%	58.7	0.0	182.0	148.7
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	90.6	46.1	44.5	46.9	0.0	137.6	134.0	20.00%	24.9	0.0	71.0	66.6
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	19,707.4	3,626.7	16,080.8	13,358.1	0.0	33,065.6	21,626.1		775.6	0.0	4,402.3	28,663.3

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2010
(\$000's)

<u>Fixed Assets</u>	<u>Opening Assets At Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjusted Cost Base</u>	<u>Average Cost Base</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation Adjustments</u>	<u>Closing Accumulated Depreciation</u>	<u>Closing Net Book Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	13,440.2	1,158.0	12,282.3	150.0	0.0	13,590.2	13,527.7	2.50%	338.2	0.0	1,496.2	12,094.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	11,368.0	2,082.5	9,285.5	35.0	0.0	11,403.0	11,388.5	4.00%	455.5	0.0	2,538.1	8,864.9
1730 - Overhead Conductors & Devices	7,188.0	656.8	6,531.2	60.0	0.0	7,248.0	7,223.0	4.00%	288.9	0.0	945.7	6,302.3
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	364.8	53.7	311.1	20.0	0.0	384.8	376.4	4.00%	15.1	0.0	68.8	316.0
1910 - Leasehold Improvements	25.7	25.1	0.7	2.0	0.0	27.7	26.9	50.00%	1.1	0.0	26.2	1.5
1915 - Office Furniture & Equipment	53.2	45.8	7.4	2.0	0.0	55.2	54.4	20.00%	4.6	0.0	50.4	4.8
1920 - Computer Equipment - Hardware	149.1	122.3	26.8	2.0	0.0	151.1	150.2	20.00%	11.5	0.0	133.8	17.3
1925 - Computer Software	8.2	5.1	3.1	0.5	0.0	8.7	8.5	20.00%	1.3	0.0	6.4	2.3
1930 - Transportation Equipment	330.7	182.0	148.7	1.5	0.0	332.2	331.6	20.00%	49.0	0.0	231.0	101.2
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	137.6	71.0	66.6	2.0	0.0	139.6	138.7	20.00%	22.3	0.0	93.3	46.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	33,065.6	4,402.3	28,663.3	275.0	0.0	33,340.6	33,226.0		1,187.4	0.0	5,589.7	27,750.8

Exhibit 4, Tab 4, Schedule 1

Taxes

TAXES

As a non-profit corporation, FNEI is not subject to the payment of income taxes (and therefore no income tax expense forms part of FNEI's revenue requirement).

In addition, FNEI's assets are located on either provincial Crown land or Indian Reserve land and as a result, FNEI is not subject to municipal property taxes. FNEI does, however, pay two separate annual fees which are akin to property taxes or land rental fees, as follows:

- FNEI pays an annual land use permit fee to the Ministry of Natural Resources for use of provincial Crown lands. This fee was approximately \$18,000/year, but recently increased by \$8,000/year.
- FNEI also pays an annual fee for use of Reserve lands to each of the three First Nations (permits are issued under section 28(2) of the *Indian Act* (Canada) and fees paid directly to the First Nations). Historically, this fee has been in the range of \$50,000/year (split equally between Kashechewan and Fort Albany First Nations). FNEI is currently in negotiations with representatives from each First Nation on adjusting these payments going forward, but expects this amount to increase by \$25,000 (for Attawapiskat First Nation).

These annual costs can be found as an operating expense under Account 4850 (Rents) in Exhibit 4, Tab 2, Schedule 3.

Exhibit 5, Tab 1, Schedule 1

Cost of Capital

1 **COST OF CAPITAL**

2 **1.0 Rate Base**

3 In the 2010 test year, FNEI is proposing a rate base of \$28.688 million. As described below,
4 FNEI's proposed overall cost of capital is \$1.893 million.

5 **2.0 Capital Structure**

6 FNEI proposes a capital structure of 60% debt and 40% equity for the 2010 test year, which
7 matches the deemed capital structure set out in the *Report of the Board on Cost of Capital and*
8 *2nd Generation Incentive Regulation for Ontario's Electricity Distributors* dated December 20,
9 2006 (and endorsed by the Board in its recent *Report of the Board on the Cost of Capital for*
10 *Ontario's Regulated Activities* (EB-2009-0084, the "Cost of Capital Review") dated December
11 11, 2009). FNEI's current revenue requirement is based on a 50%-50% capital structure,
12 approved in RP-2001-0036.

13 **3.0 Cost of Debt**

14 FNEI entered into a Credit Agreement with Manulife and Pacific & Western Bank ("PWB") in
15 November 2006 which provided the following secured credit facilities: (a) a term credit facility
16 made available by Manulife and PWB up to a maximum amount of \$11 million (with a maturity
17 date of February 2028); and (b) an operating facility with PWB up to a maximum amount of
18 \$500,000 (with a maturity date of May 2010). FNEI also has an operating facility with Bank of
19 Montreal up to a maximum amount of \$500,000.

1 The interest rate on the term credit facility is the Government of Canada bond rate plus 140 basis
2 points (the current average rate on amounts drawn down is 5.5%). The interest rate on the PWB
3 operating facility is prime plus 2.50%. The interest rate on the BMO operating facility is a
4 floating rate based on the average BMO prime rate for the time during the month that the account
5 was in an overdraft position.

6 FNEI also has a loan from the Northern Ontario Heritage Fund Corporation ("NOHFC") that was
7 arranged at the time the financing for the original FNEI project was put in place. It is interest-
8 free until October 2010, with monthly principal payments in the amount of \$75,000. After
9 October 2010, interest at 4% commences (with a monthly blended principal and interest payment
10 of \$78,364). The original amount of the loan was \$4.9 million. There is currently just under
11 \$3.5 million in principal outstanding. FNEI began making annual lump sum payments of
12 \$245,000 in October 2006 and began making monthly principal-only payments of \$75,000 in
13 January 2009. These payments were suspended after the September 2009 payment in agreement
14 with NOHFC. FNEI has committed to resume payments or begin accruing interest by October
15 2010. The maturity date of this loan will be determined once FNEI continues its monthly
16 payments.

17 FNEI's projected cost of debt for the 2010 test year is approximately \$762,300 (see Exhibit 5,
18 Tab 1, Schedule 2).

19 **4.0 Cost of Equity**

20 FNEI's current approved return on equity ("ROE") is 9.88% (from RP-2001-0036).

- 1 FNEI has used an ROE of 9.85% for its 2010 test year, based on the Board's *Cost of Capital*
- 2 *Review*. FNEI's projected cost of equity for the 2010 test year is approximately \$1,130,300 (see
- 3 Exhibit 5, Tab 1, Schedule 2).

Exhibit 5, Tab 1, Schedule 2

Numerical Summary of Cost of Capital

FIVE NATIONS ENERGY INC.

Numerical Summary of Cost of Capital
(\$000's)

<u>Board Approved</u> <u>RP-2001-0036 (1)</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	12,719.5	50.00%	7.25%	3.63%	922.2
Common Equity	<u>12,719.5</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>1,256.7</u>
Total	25,439.0	100.00%		8.57%	2,178.9

(1) Board Approved period was Nov/01 through Oct/02

<u>2002 - Actual</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	20,273.0	130.33%	5.89%	7.67%	1,193.1
Common Equity	<u>(4,717.9)</u>	<u>-30.33%</u>	9.88%	<u>-3.00%</u>	<u>(466.7)</u>
Total	15,555.1	100.00%		4.67%	726.4

<u>2002 - Deemed</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	7,777.6	50.00%	7.25%	3.63%	563.9
Common Equity	<u>7,777.6</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>768.4</u>
Total	15,555.1	100.00%		8.57%	1,332.3

<u>2003 - Actual</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	14,142.3	96.80%	5.49%	5.31%	776.1
Common Equity	<u>466.9</u>	<u>3.20%</u>	9.88%	<u>0.32%</u>	<u>46.7</u>
Total	14,609.2	100.00%		5.63%	822.9

<u>2003 - Deemed</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	7,304.6	50.00%	7.25%	3.63%	529.6
Common Equity	<u>7,304.6</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>721.7</u>
Total	14,609.2	100.00%		8.57%	1,251.3

<u>2004 - Actual</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	9,436.0	89.79%	4.78%	4.30%	451.4
Common Equity	<u>1,072.5</u>	<u>10.21%</u>	9.88%	<u>1.01%</u>	<u>106.1</u>
Total	10,508.5	100.00%		5.31%	557.5

<u>2004 - Deemed</u>	<u>Structure</u> <u>Principal</u> <u>(\$000's)</u>	<u>Capital</u> <u>Component</u> <u>(%)</u>	<u>Indicated</u> <u>Cost Rate</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(%)</u>	<u>Return</u> <u>Component</u> <u>(\$000's)</u>
Debt	5,254.3	50.00%	7.25%	3.63%	380.9
Common Equity	<u>5,254.3</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>519.1</u>
Total	10,508.5	100.00%		8.57%	900.1

FIVE NATIONS ENERGY INC.

Numerical Summary of Cost of Capital
(\$000's)

<u>2005 - Actual</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	7,252.5	72.22%	2.56%	1.85%	185.7
Common Equity	<u>2,789.2</u>	<u>27.78%</u>	9.88%	<u>2.74%</u>	<u>275.1</u>
Total	10,041.6	100.00%		4.59%	460.8
<u>2005 - Deemed</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	5,020.8	50.00%	7.25%	3.63%	364.0
Common Equity	<u>5,020.8</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>496.1</u>
Total	10,041.6	100.00%		8.57%	860.1
<u>2006 - Actual</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	6,730.3	58.82%	2.95%	1.74%	198.6
Common Equity	<u>4,711.4</u>	<u>41.18%</u>	9.88%	<u>4.07%</u>	<u>465.7</u>
Total	11,441.7	100.00%		5.81%	664.3
<u>2006 - Deemed</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	5,720.9	50.00%	7.25%	3.63%	414.8
Common Equity	<u>5,720.9</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>565.2</u>
Total	11,441.7	100.00%		8.57%	980.0
<u>2007 - Actual</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	7,325.4	57.34%	-0.66%	-0.38%	(48.6)
Common Equity	<u>5,449.0</u>	<u>42.66%</u>	9.88%	<u>4.21%</u>	<u>537.8</u>
Total	12,774.4	100.00%		3.83%	489.2
<u>2007 - Deemed</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	6,387.2	50.00%	7.25%	3.63%	463.1
Common Equity	<u>6,387.2</u>	<u>50.00%</u>	9.88%	<u>4.94%</u>	<u>631.1</u>
Total	12,774.4	100.00%		8.57%	1,094.1

FIVE NATIONS ENERGY INC.

Numerical Summary of Cost of Capital
(\$000's)

<u>2008 - Actual</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	14,964.9	98.90%	0.74%	0.73%	110.7
Common Equity	166.8	1.10%	9.88%	0.11%	16.6
Total	15,131.7	100.00%		0.84%	127.4
<u>2008 - Deemed</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	7,565.9	50.00%	7.25%	3.63%	548.5
Common Equity	7,565.9	50.00%	9.88%	4.94%	747.5
Total	15,131.7	100.00%		8.57%	1,296.0
<u>2009 - Forecast</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Short Term Debt	416.7	2.31%	1.92%	0.04%	8.0
Long Term Debt	14,215.3	78.89%	-0.02%	-0.01%	(2.7)
Common Equity	3,388.2	18.80%	9.88%	1.86%	335.2
Total	18,020.2	100.00%		1.89%	340.5
<u>2009 - Deemed</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Debt	9,010.1	50.00%	7.25%	3.63%	653.2
Common Equity	9,010.1	50.00%	9.88%	4.94%	890.2
Total	18,020.2	100.00%		8.57%	1,543.4
<u>2010 - Forecast</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Short Term Debt	500.0	1.74%	4.75%	0.08%	23.7
Long Term Debt	12,977.5	45.24%	4.41%	1.99%	571.7
Common Equity	15,210.7	53.02%	9.85%	5.22%	1,497.5
Total	28,688.1	100.00%		7.29%	2,093.0
<u>2010 - Deemed</u>	<u>Structure Principal (\$000's)</u>	<u>Capital Component (%)</u>	<u>Indicated Cost Rate (%)</u>	<u>Return Component (%)</u>	<u>Return Component (\$000's)</u>
Short Term Debt	1,147.5	4.00%	4.75%	0.19%	54.5
Long Term Debt	16,065.4	56.00%	4.41%	2.47%	707.8
Common Equity	11,475.3	40.00%	9.85%	3.94%	1,130.3
Total	28,688.1	100.00%		6.60%	1,892.6

Exhibit 6, Tab 1, Schedule 1
Calculation of Revenue Deficiency

FIVE NATIONS ENERGY INC.

Calculation of Transmission Revenue Requirement
(\$000's)

	<u>Board Approved RP-2001-0036 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Calculation of (Deficiency)/Sufficiency</u>										
Total Revenue	5,178.0	5,170.4	5,551.0	7,336.7	5,733.7	5,732.3	5,844.6	5,529.6	5,056.0	5,078.0
Operation, Maintenance & Admin.	1,898.5	3,354.6	2,562.8	1,820.9	2,411.5	2,519.7	2,791.5	2,250.9	2,802.5	3,386.1
Depreciation & Amortization	<u>1,100.6</u>	<u>561.0</u>	<u>567.0</u>	<u>444.0</u>	<u>447.1</u>	<u>516.4</u>	<u>582.9</u>	<u>645.2</u>	<u>775.6</u>	<u>1,187.4</u>
Total Costs & Expenses	<u>2,999.1</u>	<u>3,915.6</u>	<u>3,129.8</u>	<u>2,264.9</u>	<u>2,858.6</u>	<u>3,036.1</u>	<u>3,374.4</u>	<u>2,896.1</u>	<u>3,578.1</u>	<u>4,573.6</u>
Utility Income	2,178.9	1,254.7	2,421.2	5,071.8	2,875.1	2,696.2	2,470.2	2,633.5	1,477.9	504.4
Utility Rate Base	<u>25,439.0</u>	<u>15,555.1</u>	<u>14,609.2</u>	<u>10,508.5</u>	<u>10,041.6</u>	<u>11,441.7</u>	<u>12,774.4</u>	<u>15,131.7</u>	<u>18,020.2</u>	<u>28,688.1</u>
Actual/Indicated Rate of Return	8.57%	8.07%	16.57%	48.26%	28.63%	23.56%	19.34%	17.40%	8.20%	1.76%
Approved/Requested Rate of Return	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>8.57%</u>	<u>6.60%</u>
(Deficiency)/Sufficiency in Return	0.00%	-0.50%	8.01%	39.70%	20.07%	15.00%	10.77%	8.84%	-0.36%	-4.84%
Gross Revenue (Deficiency)/Sufficiency	<u>0.0</u>	<u>(77.6)</u>	<u>1,169.9</u>	<u>4,171.7</u>	<u>2,015.0</u>	<u>1,716.2</u>	<u>1,376.1</u>	<u>1,337.5</u>	<u>(65.5)</u>	<u>(1,388.2)</u>
<u>Calculation of Return on Equity</u>										
Return on Actual Equity	<u>9.88%</u>	<u>-1.31%</u>	<u>352.32%</u>	<u>430.80%</u>	<u>96.42%</u>	<u>53.01%</u>	<u>46.23%</u>	<u>1512.83%</u>	<u>43.46%</u>	<u>-0.60%</u>
Return on Deemed Equity	<u>9.88%</u>	<u>0.79%</u>	<u>22.52%</u>	<u>87.94%</u>	<u>53.56%</u>	<u>43.66%</u>	<u>39.44%</u>	<u>33.34%</u>	<u>16.34%</u>	<u>-0.79%</u>
<u>Calculation of Transmission Revenue Requirement</u>										
Total Revenue	5,178.0	5,170.4	5,551.0	7,336.7	5,733.7	5,732.3	5,844.6	5,529.6	5,056.0	5,078.0
Gross Revenue (Deficiency)/Sufficiency	<u>0.0</u>	<u>(77.6)</u>	<u>1,169.9</u>	<u>4,171.7</u>	<u>2,015.0</u>	<u>1,716.2</u>	<u>1,376.1</u>	<u>1,337.5</u>	<u>(65.5)</u>	<u>(1,388.2)</u>
Total Transmission Revenue Requirement	<u>5,178.0</u>	<u>5,247.9</u>	<u>4,381.0</u>	<u>3,165.0</u>	<u>3,718.7</u>	<u>4,016.1</u>	<u>4,468.5</u>	<u>4,192.1</u>	<u>5,121.5</u>	<u>6,466.2</u>
Operation, Maintenance & Admin.	1,898.5	3,354.6	2,562.8	1,820.9	2,411.5	2,519.7	2,791.5	2,250.9	2,802.5	3,386.1
Depreciation & Amortization	1,100.6	561.0	567.0	444.0	447.1	516.4	582.9	645.2	775.6	1,187.4
Interest on Debt	922.2	563.9	529.6	380.9	364.0	414.8	463.1	548.5	653.2	762.3
Return on Equity	<u>1,256.7</u>	<u>768.4</u>	<u>721.7</u>	<u>519.1</u>	<u>496.1</u>	<u>565.2</u>	<u>631.1</u>	<u>747.5</u>	<u>890.2</u>	<u>1,130.3</u>
Total Transmission Revenue Requirement	<u>5,178.0</u>	<u>5,247.9</u>	<u>4,381.0</u>	<u>3,165.0</u>	<u>3,718.7</u>	<u>4,016.1</u>	<u>4,468.5</u>	<u>4,192.1</u>	<u>5,121.5</u>	<u>6,466.1</u>
Difference (Rounding)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

(1) Board Approved period was Nov/01 through Oct/02

Exhibit 7, Tab 1, Schedule 1

Cost Allocation to Rate Pools

COST ALLOCATION TO RATE POOLS

1.0 FNEI's Current Cost Allocation to Rate Pools

Hydro One Networks Inc. ("HONI") recent transmission rate application (EB-2008-0272) established an updated cost allocation among the Uniform Transmission Rate pools. As a result of this approved cost allocation, FNEI's approved revenue requirement is allocated for 2010 follows:

Table 7-1-1 A – Approved Allocation for FNEI's Current Revenue Requirement

Network	Line Connection	Transformation Connection	Total
\$3,012,819	\$714,093	\$1,451,088	\$5,178,000

2.0 FNEI's Applied-For Cost Allocation to Rate Pools

In this Application, FNEI is applying for a revenue requirement of \$6,466,100, which (utilizing the EB-2008-0272 approved revenue allocators) would result in FNEI's applied-for revenue be allocated to the transmission rate pools as follows:

Table 7-1-1 B – Allocation of FNEI's Applied-For Revenue Requirement by Transmission Pool

Network	Line Connection	Transformation Connection	Total
\$3,762,300	\$891,740	\$1,812,067	\$6,466,100

Exhibit 8, Tab 1, Schedule 1

Charge Determinant Forecast

CHARGE DETERMINANT FORECAST

1.0 Methodology

1.1 Previous Methodology

In its initial rate proceeding (RP-2001-0036), FNEI estimated its total annual charge determinants based on energy use forecasts for its three initial customers (Attawapiskat Power Corporation, Fort Albany Power Corporation, and Kashechewan Power Corporation) for the period November 2001 through October 2002.

No historical data was available on peak demand (coincident or non-coincident) for any of these three customers because all three were served by Hydro One Remote Communities Inc., which aggregated usage and demand data for all 20+ communities served. Consequently, FNEI applied the coincident load factors available in the Board's RUD model to the energy use forecasts to estimate the peak demands for each utility. Specifically, FNEI applied the residential load factor for the Residential customer class and the general service <50 kW factor for the General Service and Institutional/Standard "A" customers in each of the three First Nation communities.

The peak demand forecast was used as the charge determinant for network service, line connection service and transformation service, because FNEI's methodology assumed that the non-coincident peak demand and coincident peak demand would be the same. FNEI's methodology also assumed that its peak demand would be coincident with the peak demand of all Ontario transmission customers in aggregate.

1 **1.2 Proposed Methodology**

2 In this Application, FNEI now has nine years of customer usage data. Consequently, FNEI is
3 proposing to utilize this data, in conjunction with input from each of its four customers, to
4 forecast its charge determinants.

5 **1.3.1 Communication with Customers**

6 FNEI currently has four customers. Community input from three customers of FNEI has been
7 provided on an on-going basis through the FNEI Board of Directors which includes
8 representation from three of the four customers. Direct communication with the fourth customer,
9 De Beers Canada Inc. (“De Beers”) has also been undertaken by FNEI. The results of these
10 consultations indicate that there will be no expected significant change to the peak load in any of
11 three asset pools in 2010.

12 **1.3.2 Historical Information**

13 In 2006, FNEI’s largest customer, De Beers, came online. This had a major impact on peak
14 loads in each of the three main asset pools. As such, an appropriate measure of historical data
15 upon which to develop charge determinants are the calendar years since De Beers began to be
16 served by FNEI. A review of historical data provided by the IESO in the monthly “Transmitter
17 Reconciliation Final Data File” shows the following peak loads by asset pool for the previous
18 three years:

Table 8-1-1 A – FNEI Historical Peak Demand by Asset Pool

	Annual Peak Demand (kW)			
	2007	2008	2009	3 year Average
Network Pool	88,109	171,599	184,659	148,122
Line Connection Pool	100,824	192,785	213,351	169,987
Transformation Connection Pool	109,331	62,415	67,790	79,845

The significantly lower demand for the Transformation Connection Pool is attributable to the fact that De Beers owns its own connection, whereas FNEI owns the transformers for each of its three other customers.

2.0 Proposed Determinants

Using information gathered through customer communication and through historical data analysis, FNEI has forecast the charge determinants for 2010. This forecast is equivalent to the three-year average in each pool. The forecasted charge determinants by asset pool proposed in this application are summarized in the following table along with currently approved charge determinants and the resulting variance.

Table 8-1-1 B – Charge Determinants – Actual vs. Proposed

	Annual Charge Determinants (MW)		
	Network Pool	Line Connection Pool	Transformation Connection Pool
Approved	44.915	44.915	44.915
Proposed	148.122	169.987	79.845
Variance	103.207	124.072	34.930

Exhibit 8, Tab 2, Schedule 1

Calculation of Uniform Transmission Rates

1 **CALCULATION OF UNIFORM TRANSMISSION RATES**

2 **1.0 Overview**

3 The Ontario Energy Board establishes transmission rates on a uniform basis for all electricity
4 transmitters in Ontario. The current provincial Uniform Transmission Rates (“UTR”) were made
5 effective January 1, 2010, pursuant to EB-2008-0272. The UTR is found at Exhibit 8, Tab 2,
6 Schedule 3.

7 In establishing the uniform transmission rates for the entire province for a test year, the Board
8 aggregates the revenue requirement of all four transmitters in the province: Hydro One Networks
9 Inc., Canadian Niagara Power Inc., Great Lakes Power Transmission Inc., and FNEI. The
10 overall revenue requirement is then allocated to the three transmission rate pools in order for
11 rates by pool to be established. The revenue requirement by rate pool for all transmitters is based
12 on HONI’s cost allocation process, approved in EB-2008-0272.

13 The Board establishes the rate for each pool is established by taking the annual revenue
14 requirement for each rate pool and dividing it by the appropriate provincial charge determinant
15 for each pool. The Board calculates the total provincial charge determinants for each
16 transmission rate pool by adding all charge determinants in each pool for all four provincial
17 transmitters.

1 Because the UTR involves two key elements (revenue requirement and charge determinant), any
2 change to either the revenue requirement or charge determinant of any transmitter may result in
3 changes to the UTR.

4 The charge determinants in each pool for FNEI were calculated and presented in Exhibit 8, Tab
5 1, Schedule 1. FNEI's revenue requirement allocated among the three rate pools is shown at
6 Exhibit 7, Tab 1, Schedule 1.

7 **2.0 Calculation of Uniform Transmission Rates**

8 In this application, FNEI proposes changes to both its revenue requirement and its charge
9 determinants. The most recent UTR were issued by the Board on January 21, 2010 (effective as
10 at January 1, 2010) as set out in EB-2008-0272 and recreated at Table 8-2-1 A (immediately
11 following). Table 8-2-1 B updates the calculation of the UTR and the Revenue Allocators that
12 would result if FNEI's application were approved on an as-filed basis. This calculation does not
13 account for changes currently being requested by other transmitters in Ontario (including Great
14 Lakes Power Transmission Inc., which currently has an application before the Board for 2010
15 transmission rates). Table 8-2-1 C, below, illustrates the variance in the UTR and the Revenue
16 Allocators (i.e., the variance between the current UTR and those that would result from FNEI's
17 Application).

1 Table 8-2-1 A – Actual 2010 Uniform Transmission Rates

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$3,012,819	\$714,093	\$1,451,088	\$5,178,000
CNPI	\$2,683,749	\$636,098	\$1,292,596	\$4,612,443
GLPT	\$20,239,894	\$4,797,224	\$9,748,304	\$34,785,422
H1N	\$707,878,000	\$167,780,000	\$340,941,000	\$1,216,599,000
All	\$733,814,462	\$173,927,415	\$353,432,988	\$1,261,174,865

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	44.915	44.915	44.915	
CNPI	583.420	668.600	668.600	
GLPT	4,150.498	2,847.032	2,777.933	
H1N	242,387.818	234,657.008	202,860.490	
All	247,166.651	263,217.555	206,351.938	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
UTR (\$/kW-m)	2.97	0.73	1.71	
FNEI Factor	0.00411	0.00411	0.00411	
CNPI Factor	0.00366	0.00366	0.00366	
GLPT Factor	0.02758	0.02758	0.02758	
H1N Factor	0.96465	0.96465	0.96465	
All	1.00000	1.00000	1.00000	

2

3

4

1 *Table 8-2-1 B – Proposed 2010 Uniform Transmission Rates*

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$3,762,300	\$891,740	\$1,812,067	\$6,466,100
CNPI	\$2,683,749	\$636,098	\$1,292,596	\$4,612,443
GLPT	\$20,239,894	\$4,797,224	\$9,748,304	\$34,785,422
H1N	\$707,878,000	\$167,780,000	\$340,941,000	\$1,216,599,000
All	\$734,563,943	\$174,105,062	\$353,793,967	\$1,262,462,965

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	148.122	168.987	79.845	
CNPI	583.420	668.600	668.600	
GLPT	4,150.498	2,847.032	2,777.933	
H1N	242,387.818	234,657.008	202,860.490	
All	247,269.858	238,341.627	206,386.868	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
UTR (\$/kW-m)	2.97	0.73	1.71	
FNEI Factor	0.00512	0.00512	0.00512	
CNPI Factor	0.00365	0.00365	0.00365	
GLPT Factor	0.02755	0.02755	0.02755	
H1N Factor	0.96367	0.96367	0.96367	
All	1.00000	1.00000	1.00000	

1 Table 8-2-1 C – Variance in UTR Calculation Driven by FNEI Application

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$749,481	\$177,647	\$360,979	\$1,288,100
CNPI	-	-	-	\$0
GLPT	-	-	-	\$0
H1N	-	-	-	\$0
All	\$749,181	\$177,647	\$360,979	\$1,288,100

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	103.207	124.072	34.930	
CNPI	-	-	-	
GLPT	-	-	-	
H1N	-	-	-	
All	103.207	124.072	34.930	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
UTR (\$/kW-m)	0.00	0.00	0.00	
FNEI Factor	0.00101	0.00101	0.00101	
CNPI Factor	-0.00001	-0.00001	-0.00001	
GLPT Factor	-0.00003	-0.00003	-0.00003	
H1N Factor	-0.00098	-0.00098	-0.00098	
All	0.00000	0.00000	0.00000	

1 **3.0 Rate Impacts**

2 As demonstrated in the Table 8-2-1 C, this application will not result in any increase in the
3 transmission rates in any of the three rate pools. This is due to the fact that FNEI makes up such
4 a small portion of the total provincial transmission revenue requirement, and the greater revenue
5 requirement being sought in this Application is not large enough to change rates. It does,
6 however, change the Revenue Allocators slightly. Obviously, no transmission revenue
7 requirement change means there will be no bill impact to the average Ontario ratepayer.

Exhibit 8, Tab 2, Schedule 2

Uniform Transmission Rate Reconciliation

UNIFORM TRANSMISSION RATE RECONCILIATION

By applying FNEI's proposed provincial charge determinants and proposed allocation factors to the approved uniform transmission rates, FNEI can reconcile its revenue forecast for 2010. This calculation is summarized below in Table 8-2-2 A. The proposed allocation factors will, as anticipated, eliminate FNEI's expected revenue deficiency in 2010.

Table 8-2-2 A – 2010 Rate Reconciliation

	<u>Network</u>	<u>Line Connection</u>	<u>Transmission Connection</u>	
FNEI Revenues Based on EB-2008-0272				
2010 Charge Determinants (MW)	247,166.65	238,217.56	206,351.94	
Current Approved Uniform Rates (\$kW-month)	2.97	0.73	1.71	
Current Approved FNEI Allocation Factor	0.00411	0.00411	0.00411	
2010 FNEI Revenue Forecast	\$3,017,089	\$714,724	\$1,450,262	\$5,182,075
FNEI's 2010 Test Year Revenue Requirement				\$6,466,100
Gross Revenue Deficiency				<u>\$1,284,025</u>
FNEI Revenues Based on EB-2009-0387				
Proposed 2010 Charge Determinants (MW)	247,269.86	238,341.63	206,386.87	
2010 Proposed Uniform Rates (<i>unchanged</i>)	2.97	0.73	1.71	
2010 Proposed FNEI Allocation Factor	0.00512	0.00512	0.00512	
2010 Test Year FNEI Revenue Forecast	\$3,760,084	\$890,826	\$1,806,958	\$6,457,868
FNEI's 2010 Test Year Revenue Requirement				\$6,466,100
Gross Revenue Deficiency				<u>\$8,232</u>

Exhibit 8, Tab 2, Schedule 3

Ontario Transmission Rate Schedule

1 **ONTARIO TRANSMISSION RATE SCHEDULE**

2 Attached is the current Transmission Rate Schedule approved under EB-2008-0272, and issued
3 on January 21, 2010.

APPENDIX B

ONTARIO TRANSMISSION RATE SCHEDULES

EB-2008-0272

January 5, 2010

The rate schedules contained herein shall be effective January 01, 2010

Issued: January 21, 2010
Ontario Energy Board

TRANSMISSION RATE SCHEDULES

TERMS AND CONDITIONS (A) APPLICABILITY The rate schedules contained herein pertain to the transmission service applicable to: •The provision of Provincial Transmission Service (PTS) to the Transmission Customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario. •The provision of Export Transmission Service (ETS) to electricity market participants that export electricity to points outside Ontario utilizing the transmission system in the province of Ontario. The Rate Schedule ETS applies to the wholesale market participants who utilize the Export Service in accordance with the Market Rules of the Ontario Electricity Market, referred to hereafter as Market Rules. These rate schedules do not apply to the distribution services provided by any distributors in Ontario, nor to the purchase of energy, hourly uplift, ancillary services or any other charges that may be applicable in electricity markets administered by the Independent Electricity System Operator (IESO) of Ontario. **(B) TRANSMISSION SYSTEM CODE** The transmission service provided under these rate schedules is in accordance with the Transmission System Code (Code) issued by the Ontario Energy Board (OEB). The Code sets out the requirements, standards, terms and conditions of the transmitter's obligation to offer to connect to, and maintain the operation of, the transmission system. The Code also sets out the requirements, standards, terms and conditions under which a Transmission Customer may connect to, and remain connected to, the transmission system. The Code stipulates that a transmitter shall connect new customers, and continue to offer transmission services to existing customers, subject to a Connection Agreement between the customer and a transmitter. **(C) TRANSMISSION DELIVERY POINT** The Transmission Delivery Point is defined as the transformation station, owned by a transmission company or by the Transmission Customer, which steps down the voltage from above 50 kV to below 50 kV and which connects the customer to the transmission system. The demand registered by two or more meters at any one delivery point shall be aggregated for the purpose of assessing transmission charges at that delivery point if the corresponding distribution feeders from that delivery point, or the plants taking power from that delivery point, are owned by the same entity within the meaning of Ontario's *Business Corporations Act*. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV. **(D) TRANSMISSION SERVICE POOLS** The transmission facilities owned by the licenced transmission companies are categorized into three functional pools. The transmission lines that are used for the common benefit of all customers are categorized as Network Lines and the corresponding terminating facilities are Network Stations. These facilities make up the Network Pool. The transformation station facilities that step down the voltage from above 50 kV to below 50 kV are categorized as the Transformation Connection Pool. Other electrical facilities (i.e. that are neither Network nor Transformation) are categorized as the Line Connection Pool. All PTS customers incur charges based on the Network Service Rate (PTS-N) of Rate Schedule PTS.

EFFECTIVE DATE:
January 01, 2010

BOARD ORDER:
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REPLACING BOARD ORDER:
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July 3, 2009

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Transmission Rate Schedule

TRANSMISSION RATE SCHEDULES

The PTS customers that utilize transformation connection assets owned by a licenced transmission company also incur charges based on the Transformation Connection Service Rate (PTS-T). The customer demand supplied from a transmission delivery point will not incur transformation connection service charges if a customer fully owns, or has fully contributed toward the costs of, all transformation connection assets associated with that transmission delivery point. The PTS customers that utilize lines owned by a licenced transmission company to connect to Network Station(s) also incur charges based on the Line Connection Service Rate (PTS-L). The customer demand supplied from a transmission delivery point will not incur line connection service charges if a customer fully owns, or has fully contributed toward the costs of, all line connection assets connecting that delivery point to a Network Station. Similarly, the customer demand will not incur line connection service charges for demand at a transmission delivery point located at a Network Station.

(E) MARKET RULES The IESO will provide transmission service utilizing the facilities owned by the licenced transmission companies in Ontario in accordance with the Market Rules. The Market Rules and appropriate Market Manuals define the procedures and processes under which the transmission service is provided in real or operating time (on an hourly basis) as well as service billing and settlement processes for transmission service charges based on rate schedules contained herein. **(F) METERING REQUIREMENTS** In accordance with the Market Rules and the Transmission System Code, the transmission service charges payable by Transmission Customers shall be collected by the IESO. The IESO will utilize Registered Wholesale Meters and a Metering Registry in order to calculate the monthly transmission service charges payable by the Transmission Customers. Every Transmission Customer shall ensure that each metering installation in respect of which the customer has an obligation to pay transmission service charges

arising from the Rate Schedule PTS shall satisfy the Wholesale Metering requirements and associated obligations specified in Chapter 6 of the Market Rules, including the appendices therein, whether or not the subject meter installation is required for settlement purposes in the IESO-administered energy market. A meter installation required for the settlement of charges in the IESO-administered energy market may be used for the settlement of transmission service charges. The Transmission Customer shall provide to the IESO data required to maintain the information for the Registered Wholesale Meters and the Metering Registry pertaining to the metering installations with respect to which the Transmission Customers have an obligation to pay transmission charges in accordance with Rate Schedule PTS. The Metering Registry for metering installations required for the calculation of transmission charges shall be maintained in accordance with Chapter 6 of the Market Rules. The Transmission Customers, or Transmission Customer Agents if designated by the Transmission Customers, associated with each Transmission Delivery Point will be identified as Metered Market Participants within the IESO's Metering Registry. The metering data recorded in the Metering Registry shall be used as the basis for the calculation of transmission charges on the settlement statement for the Transmission Customers identified as the Metered Market Participants for each Transmission Delivery Point. The Metering Registry for metering installations required for calculation of transmission charges shall also indicate whether or not the demand associated with specific Transmission Delivery Point(s) to which a Transmission Customer is connected attracts Line and/or Transformation Connection Service Charges. This information shall be consistent with the Connection Agreement between the Transmission Customer and the licenced Transmission Company that connects the customer to the IESO-Controlled Grid. **(G) EMBEDDED GENERATION** The Transmission Customers shall ensure conformance of Registered Wholesale Meters in accordance with Chapter 6 of Market Rules, including

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TRANSMISSION RATE SCHEDULES

Metering Registry obligations, with respect to metering installations for embedded generation that is located behind the metering installation that measures the net demand taken from the transmission system if (a) the required approvals for such generation are obtained after October 30, 1998; and (b) the generator unit rating is 2 MW or higher for renewable generation and 1 MW or higher for non-renewable generation; and (c) the Transmission Delivery Point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. Accordingly, the distributors that are Transmission Customers shall ensure that connection agreements between them and the generators, load customers, and embedded distributors connected to their distribution system have provisions requiring the Transmission Customer to satisfy the requirements for Registered Wholesale Meters and Metering Registry for such embedded generation even if the subject embedded generator(s) do not participate in the IESO-administered energy markets. **(H) EMBEDDED CONNECTION POINT** In accordance with Chapter 6 of the Market Rules, the IESO may permit a Metered Market Participant, as defined in the Market Rules, to register a metering installation that is located at the embedded connection point for the purpose of recording transactions in the IESO-administered markets. (The Market Rules define an embedded connection point as a point of connection between load or generation facility and distribution system). In special situations, a metering installation at the embedded connection point that is used to settle energy market charges may also be used to settle transmission service charges, if there is no metering installation at the point of connection of a distribution feeder to the Transmission Delivery Point. In above situations: •The Transmission Customer may utilize the metering installation at the embedded connection point, including all embedded generation and load connected to that point, to satisfy the requirements described in Section (F) above provided that the

same metering installation is also used to satisfy the requirement for energy transactions in the IESO-administered market. •The Transmission Customer shall provide the Metering Registry information for the metering installation at the embedded connection point, including all embedded generation and load connected to that point, in accordance with the requirements described in Section (F) above so that the IESO can calculate the monthly transmission service charges payable by the Transmission Customer.

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APPLICABILITY:

The Provincial Transmission Service (PTS) is applicable to all Transmission Customers in Ontario who own facilities that are directly connected to the transmission system in Ontario and that withdraw electricity from this system.

	<u>Monthly Rate (\$ per kW)</u>
Network Service Rate (PTS-N):	2.97
\$ Per kW of Network Billing Demand ^{1,2}	
Line Connection Service Rate (PTS-L):	0.73
\$ Per kW of Line Connection Billing Demand ^{1,3}	
Transformation Connection Service Rate (PTS-T):	1.71
\$ Per kW of Transformation Connection Billing Demand ^{1,3,4}	

The rates quoted above shall be subject to adjustments with the approval of the Ontario Energy Board.

Notes:

1 The demand (MW) for the purpose of this rate schedule is measured as the energy consumed during the clock hour, on a "Per Transmission Delivery Point" basis. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV at the Transmission Delivery Point.

2. The Network Service Billing Demand is defined as the higher of (a) customer coincident peak demand (MW) in the hour of the month when the total hourly demand of all PTS customers is highest for the month, and (b) 85 % of the customer peak demand in any hour during the peak period 7 AM to 7 PM (local time) on weekdays, excluding the holidays as defined by IESO. The peak period hours will be between 0700 hours to 1900 hours Eastern Standard Time during winter

(i.e. during standard time) and 0600 hours to 1800 hours Eastern Standard Time during summer (i.e. during daylight savings time), in conformance with the meter time standard used by the IMO settlement systems.

3 The Billing Demand for Line and Transformation Connection Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss-adjusted demand supplied from the transmission system plus (b) the demand that is supplied by embedded generation for which the required government approvals are obtained after October 30, 1998 and which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.

4 The Transformation Connection rate includes recovery for OEB approved Low Voltage Switchgear compensation for Toronto Hydro Electric System Limited and Hydro Ottawa Limited.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code, in particular the Connection Agreement as per Appendix 1 of the Transmission System Code, and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to services provided under this Rate Schedule.

EFFECTIVE DATE: January 01, 2010	BOARD ORDER: EB-2008-0272	REPLACING BOARD ORDER: EB-2008-0272 July 3, 2009	Page 5 of 6 Ontario Uniform Transmission Rate Schedule
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RATE SCHEDULE: ETS**EXPORT TRANSMISSION SERVICE*****APPLICABILITY:***

The Export Transmission Service is applicable for the use of the transmission system in Ontario to deliver electrical energy to locations external to the Province of Ontario, irrespective of whether this energy is supplied from generating sources within or outside Ontario.

Export Transmission Service Rate (ETS):**Hourly Rate**

\$1.00 / MWh

The ETS rate shall be applied to the export transactions in the Interchange Schedule Data as per the Market Rules for Ontario's Electricity Market. The ETS rate shall be subject to adjustments with the approval of the Ontario Energy Board.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to service provided under this Rate Schedule.

EFFECTIVE DATE:
January 01, 2010

BOARD ORDER:
EB-2008-0272

**REPLACING BOARD
ORDER:**
EB-2008-0272
July 3, 2009

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Transmission Rate Schedule

Appendix C

ONTARIO UNIFORM RATE ORDER

EB-2008-0272

January 5, 2010

**ONTARIO UNIFORM RATE ORDER
REVENUE ALLOCATORS
Effective January 01, 2010**

Transmitter	Network	Line Connection	Transformation Connection
Uniform Transmission Rates (\$/kW-Month)	2.97	0.73	1.71
	↓	↓	↓
Five Nations Energy Inc.	0.00411	0.00411	0.00411
Canadian Niagara Power Inc.	0.00366	0.00366	0.00366
Great Lakes Power Ltd.	0.02758	0.02758	0.02758
Hydro One Networks Inc.	0.96465	0.96465	0.96465
Total	1.00000	1.00000	1.00000

Exhibit 9, Tab 1, Schedule 1

Deferral and Variance Accounts

1 **DEFERRAL AND VARIANCE ACCOUNTS – OVERVIEW**

2 FNEI currently has no existing deferral or variance accounts.

3 FNEI requests an accounting order to establishing a deferral account to record the revenue
4 requirement deficiencies incurred from January 1, 2010 until FNEI's proposed 2010 revenue
5 requirement is approved. The deferral account will be updated monthly and interest will be
6 applied consistent with Board-approved rates. FNEI will record the revenue deficiency based
7 upon the difference between the 2010 approved monthly revenue requirement and the monthly
8 revenue at current rates. The recording of this revenue deficiency will cease when a new
9 revenue requirement for FNEI is approved and implemented by the Board.