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November 25, 2011

VIA RESS and Overnight Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P. O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc. Application for Distribution
Rates Effective May 1, 2012
Board File No. EB-2011-0100
Evidence Update**

Please find enclosed updated evidence supporting the application submitted by Enersource Hydro Mississauga Inc. ("Enersource") for new rates under Third Generation Incentive Regulation Mechanism, effective May 1, 2012.

This updated evidence is with respect to Account 1562 Deferred Payments in Lieu of Taxes (PILs). Specifically, Tab 5 has been updated to reflect additional information required by the Board, with supporting schedules. In addition, an Excel version of Attachment O, 1562 Final Continuity Schedule, has been submitted via RESS.

The updated evidence consists of the following:

Index

Tab 5 -	Final Disposition of PILs Deferral Accounts 1562 and 1563
Tab 5, Schedule 1	2005 PILs Proxy Model (PDF and active)
Tab 5, Schedules 2.1 to 2.3	Board Decisions for 2002, 2004 and 2005
Tab 5, Schedule 3	2005 RAM Model (PDF and active)
Tab 5, Schedule 4	PILs Recoveries - Amounts Billed to Customers
Tab 5, Schedules 5.1 to 5.5	Financial Statements 2001 to 2005

Two original versions of the updated evidence will be sent to the Ontario Energy Board in addition to filing via RESS.

If you have any questions please do not hesitate to contact me.

Yours truly,

Original Signed By

Gia M. DeJulio
Director, Regulatory Affairs

cc. Dan Pastoric, Executive Vice-President and Chief Operating Officer
Norm Wolff, Executive Vice-President and Chief Financial Officer

INDEX

<i>Tab</i>	<i>Contents</i>
------------	-----------------

- | | |
|---|---|
| 1 | Application |
| 2 | Manager's Summary |
| 3 | Lost Revenue Adjustment Mechanism (LRAM) |
| 4 | Smart Meter Funding Adder (SMFA) |
| 5 | Final Disposition of PILs Deferral Accounts 1562 and 1563 |

Schedules:

- | | |
|-----|--|
| 1 | 2005 PILs Proxy Model |
| 2.1 | Board Decision 2002 – EB-2002-0093 |
| 2.2 | Board Decision 2004 – EB-2004-0055 |
| 2.3 | Board Decision 2005 – EB-2005-0051 |
| 3 | 2005 RAM Model |
| 4 | PILs Recoveries – Amounts Billed to Customers |
| 5.1 | Financial Statements – 2001 |
| 5.2 | Financial Statements – 2002 |
| 5.3 | Financial Statements – 2003 |
| 5.4 | Financial Statements – 2004 |
| 5.5 | Financial Statements – 2005 |
| 6 | Special Purpose Charge (SPC) Variance Account Rate Rider |
| 7 | Retail Transmission Service Rates (RTSR) |
| 8 | Shared Tax Savings Rate Rider |

Attachments:

- A** Current Tariff Sheet
- B** Proposed Rate Schedule
- C** Bill Impacts
- D** 2012 IRM3 Rate Generator
- E** Breakdown of Lost Revenues for 2010
- F** 2006 to 2009 OPA CDM Results for Enersource Hydro
Mississauga
- G** 2010 OPA Final CDM Results for Enersource Hydro
Mississauga
- H** Report on Independent Third Party Review of Enersource's
LRAM Claim
- I** Smart Meter Rate Calculation Model
- J** 2001 PILs Model
- K** 2002 PILs Model
- L** 2003 PILs Model
- M** 2004 PILs Model
- N** 2005 PILs Model
- O** Account 1562 Final Continuity Schedule
- P** RTSR Adjustment Work Form
- Q** Shared Tax Savings Work Form
- R** Statement of Publication

Tab 5

***Final Disposition of PILs Deferral
Accounts 1562 and 1563***

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Final Disposition of PILs Deferral Accounts 1562 and 1563

On June 24, 2011, the Board issued its decision to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes (EB-2008-0381). In that decision, the Board specified that all distributors were expected to apply for final disposition of Account 1562 in their next general rates applications. Furthermore, the Board indicated that if the distributor were to file evidence in accordance with all of the various decisions made in the course of the proceeding, including the use of the updated SIMPL model, the determination of the final Account 1562 balance would be completed expeditiously and in an administrative manner.

Enersource has adhered to the above requirements and proposes to dispose of \$1,184,236 as a credit to customers. The updated SIMPL models for 2001 to 2005 are provided as Attachments J to N, respectively, in both PDF and Excel versions. A continuity schedule for Account 1562 is provided as Attachment O. An Excel version of Attachment O has been provided in this update.

The purpose of this updated evidence is to provide further information requested by Board staff to facilitate the review of this PILs disposition request. These information requirements have been summarized in Table 5-1 below. The status of each requested piece of data is noted in the right-hand column. Further explanations for each requirement are discussed in the remainder of this update.

1 **Table 5-1: PILs Evidence Requirements and Status**

Material Requested	2001	2002	2003	2004	2005	Jan 1 to Apr 30, 2006	May 1, 2006 to Apr 30, 2012	Status
Excel PILs proxy model (active)	x	x			x			2005 Model provided as Tab 5, Schedule 1
Signed Board decision		x		x	x			Tab 5, Schedules 2.1, 2.2 and 2.3
Excel RAM model (active)		x		x	x			2005 Model provided as Tab 5, Schedule 3
Excel Continuity schedule (active) for 2001 to 2012 including interest carrying charge calculations	x	x	x	x	x	x	x	PDF Version originally filed as Attachment 'O'; Excel Model now submitted via RESS with Nov 25 update
Excel PILs Recoveries (active) - Amounts billed to customers	x	x	x	x	x	x		Tab 5, Schedule 4
T2 and CT23 Tax returns	x	x	x	x	x			Not provided with Nov 25 update
Notice of assessment	x	x	x	x	x			Not provided with Nov 25 update
Notice of reassessment and/or Statement of adjustments	x	x	x	x	x			Not provided with Nov 25 update
Financial statements submitted with tax returns	x	x	x	x	x			Tab 5, Schedules 5.1 to 5.5
Excel SIMPL model (active)								See pre-filed Attachments J to N (active and PDF)

'x' denotes material requested by Board Staff

Source: Enersource Hydro Mississauga Inc.

4 Excel PILs Proxy Model (Active)

This model was used to calculate the PILs amounts to set rates in 2001, 2002 and 2005. The 2005 Model is provided at Tab 5, Schedule 1. It has been filed in both PDF and Excel versions. Enersource is unable to locate PILs Proxy models for the prior years. Please note that the PILs amounts in the SIMPL models provided at Attachments J to N correspond with the PILs amounts approved in the Board Decision for 2001 and 2002 (EB-2002-0093). The 2004 PILs Decision (EB-2004-0055) did not specify a PILs amount but instead, maintained the PILs level at the approved 2002 level. This also reconciles with the PILs amount shown on the 2004 SIMPL model, Attachment M.

14 Prior Board Decisions

Decisions for approved Enersource distribution rates for the years 2001, 2002 and 2005 are provided at Tab 5, Schedules 2.1 to 2.3, respectively.

1 Excel RAM Model (Active)

2 This is the rate adjustment model used to establish distribution rates in 2001, 2002
3 and 2005. The 2005 RAM Model is provided at Tab 5, Schedule 3. It has been filed in
4 both PDF and Excel versions. As with the Proxy model discussed above, Enersource
5 is unable to locate the RAM models for prior years.

6 Continuity Schedule for 2001 to 2012

7 Enersource provided a continuity schedule for account 1562 as Attachment O in the
8 original evidence. An Excel version has been provided with this update.

9 PILs Recoveries – Amounts Billed to Customers

10 The PILs amount billed to customers is provided on the PILs continuity schedule,
11 Attachment O. Further detail, by rate class, of this aggregated amount is provided with
12 this updated evidence at Tab 5, Schedule 4.

13 T2 and CT23 Tax Returns, Notices of Assessment, Notices of Reassessment, and
14 Statements of Adjustments

15 This material will be addressed in a future update.

16 Financial Statements

17 The financial statements submitted by Enersource with its tax returns for 2001 through
18 2005 are provided at Tab 5, Schedules 5.1 to 5.5, respectively.

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Tab 5 – Schedule 1

2005 PILs Proxy Model

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SECTION 93 PILs TAX GROSS-UP		PROXY CALCULATION FOR 2005		PILS2005.V1.1	
REGULATORY INFORMATION (REGINFO)					
Utility Name:	Enersource Hydro Mississauga				
File Number:	RP-2005-0013				
	EB-2005-0051				
Reporting period:	January 1, 2005 to December 31, 2005				
Days in reporting period:	365				
Total days in the calendar year:	365				
BACKGROUND					
1. Are the Capital Tax & Large Corporations Tax Exemptions shared among the corporate group? (Yes or No)	No				
2. Please identify the percentage used to allocate the exemption.	100.00%				
3. Please explain the basis of the allocation if the percentage is other than 100%.					
4. Accounting Year End	2005				
MARR NO TAX CALCULATIONS FROM SHEET #7 FINAL 2001 RUD MODEL DATA (FROM 1999 FINANCIAL STATEMENTS)					
Rate base (wires-only)	\$451,388,902.20				
Common Equity Ratio (CER)	40.00%				
1-CER	60.00%				
Target Return On Equity (%)	9.88%				
Debt rate	6.90%				
					Regulatory Income
Market Adjusted Revenue Requirement	\$36,526,390				
1999 return from RUD Sheet #7	\$11,664,606				\$11,664,606
Total Incremental revenue	\$24,861,784				
	Based on Board's Decision (RP-2000-0069)	Board-Approved Amounts			
Amount allowed in 2001, Year 1	\$8,287,261	\$8,287,261	\$8,287,261		
Amount allowed in 2002, Year 2	\$8,287,261	\$8,287,261	\$8,287,261		
Amount allowed in 2003, Year 3	\$8,287,261	\$8,263,000	\$8,263,000		
Permanent Changes to Base Rate (e.g. LPP 5% to 1.5%) (Please see Note 1 below)	\$1,647,623				\$1,647,623
C&DM Capital Portion from "C&DM TAX FORECAST" worksheet	72%				
Total Regulatory Income					\$38,149,751
Equity	\$180,555,561				
Return at target ROE	\$17,838,889				
Debt	\$270,833,341				
Deemed interest amount in EBIT	\$18,687,501				
Note 1:					
2002 LPC Adjustment (Copy of 2/28/2002 Rate Order is enclosed in Tab 4)	\$1,277,710				
2002 Water Heater Revenue adjustment (Copy of 2/28/2002 Rate Order is enclosed in Tab 4)	\$184,658				
2005 (this submission) LPC Adjustment from 2.0% to 1.5%	\$185,255				
	<u>\$1,647,623</u>				

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)		ITEM	Proxy Calculation	Comments
Utility Name: Enersource Hydro Mississauga Reporting Period: January 1, 2005 to December 31, 2005 Days in Reporting Period: 365 Total days in the calendar year: 365			\$	
I) CORPORATE INCOME TAXES				
Regulatory Net Income		1	\$38,149,751	
BOOK TO TAX ADJUSTMENTS				
Additions:				
Depreciation & Amortization		2	\$23,653,000	
Employee Benefit Plans - Accrued, Not Paid		3	\$0	
Tax reserves deducted in prior year		4	\$0	
Reserves from financial statements-end of year		4	\$0	
Regulatory Adjustments		5	\$0	
Other Additions				
"Material" Items		6	\$0	
Other Additions		6	\$0	
"Material" Items		6	\$0	
Other Additions		6	\$0	
Deductions:				
Capital Cost Allowance and CEC		7	\$23,322,350	
Employee Benefit Plans - Paid Amounts		8	\$0	
Items Capitalized for Regulatory Purposes		9	\$0	
Regulatory Adjustments		10	\$0	
Interest Expense Deemed		11	\$18,687,501	
Tax reserves claimed in current year		4	\$0	
Reserves from F/S beginning of year		4	\$0	
Contributions to deferred income plans		3	\$0	
Contributions to pension plans		3	\$0	
Interest capitalized for accounting but deducted for tax		11	\$0	
Other Deductions				
"Material" Items		12	\$0	
C&DM 2005 Incremental OM&A expenses per C&DM Plan		12	\$924,000	
Other Deductions		12	\$0	
REGULATORY TAXABLE INCOME			\$18,868,900	
CORPORATE INCOME TAX RATE				
Deemed %		13	36.12%	
REGULATORY INCOME TAX			\$6,815,447	
Taxable Income x Rate				
Miscellaneous Tax Credits		14	\$0	
Total Regulatory Income Tax			\$6,815,447	

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)		ITEM	Proxy Calculation	Comments
Utility Name: Enersource Hydro Mississauga Reporting Period: January 1, 2005 to December 31, 2005 Days in Reporting Period: 365 Total days in the calendar year: 365			\$	
Percentage used to determine the exemptions for capital tax and large corporations tax			100%	
II) CAPITAL TAXES				
<i>Ontario</i>				
Rate Base	15		\$451,388,902	
Less: Exemption	16		\$7,500,000	
Deemed Taxable Capital			\$443,888,902	
Rate (.3%)	17		0.3000%	
Net Amount (Taxable Capital x Rate)			\$1,331,667	
<i>Federal (LCT)</i>				
Base	18		\$451,388,902	
Less: Exemption	19		\$50,000,000	
Deemed Taxable Capital			\$401,388,902	
Rate (.175%)	20		0.1750%	
Gross Amount (Taxable Capital x Rate)			\$702,431	
Less: Federal Surtax	21		\$211,332	
Net LCT			\$491,099	
III) INCLUSION IN RATES				
Income Tax Rate used for gross- up			36.12%	
Income Tax (grossed-up)	22		\$10,669,140	
LCT (grossed-up)	23		\$768,783	
Ontario Capital Tax	24		\$1,331,667	
Total S. 93 PILs Rate Adjustment (Enter this amount in the 2005 RAM, Sheet #4, cell G14)		25	\$12,769,591	

SECTION 93 PILs TAX GROSS-UP "SIMPIL"

Corporate Tax Rates for 2005

Income Range	\$0 to \$400,000	\$400,001 to \$1,128,000	> \$1,128,000
<i>Income Tax Rate</i>	18.62%	27.50%	36.12%
Capital Tax Rate	0.300%		
LCT Rate	0.175%		
Surtax	1.12%		
Ontario Capital Tax Exemption	\$7,500,000		
Federal Large Corporations Tax Exemption	\$50,000,000		

Conservation and Demand Management Tax Forecast

Utility Name: Enersource Hydro Mississauga
 File Number: RP-2005-0013
 EB-2005-0051

	Jan - Dec 2005		Jan - Dec 2006		Jan - Sept 30 th 2007		Total	
	\$	%	\$	%	\$	%	\$	%
Capital	\$2,345,000	72%	\$1,500,000	64%	\$1,740,000	65%	\$5,585,000	68%
Tax Deductible Expense	\$924,000	28%	\$834,000	36%	\$920,000	35%	\$2,678,000	32%
Total	\$3,269,000	100%	\$2,334,000	100%	\$2,660,000	100%	\$8,263,000	100%

Notes:

1. Capital that will be recognized for tax purposes (i.e. UCC addition), not from a capital budget or commitment perspective.
2. Expenses to be recognized in the period shown that will be used as a tax deduction for the same period. The 2005 tax deduction amount will be entered automatically into the TAXCALC worksheet, cell C44.
3. The amounts shown in the "Total" column should agree with the C&DM plan filed with or approved by the Board. The amount of the third tranche of MARR is the maximum amount unless the utility has applied for a lower amount.

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Tab 5 – Schedule 2.1

Board Decision 2002 (EB-2002-0093)

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Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2002-0084
EB-2002-0093

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
Enersource Hydro Mississauga Inc. for an order or
orders approving or fixing just and reasonable rates.

BEFORE: Paul Vlahos
Vice Chair and Presiding Member

George Dominy
Vice Chair and Member

DECISION AND ORDER

On December 21, 2001 the Ontario Energy Board ("the Board") issued filing guidelines to all electricity distribution utilities for the March 1, 2002 distribution rate adjustments. Supplemental instructions were issued on January 18, 2002.

Enersource Hydro Mississauga Inc. ("the Applicant") filed an Application ("the Application"), dated January 25, 2002, for an order or orders under section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates for the distribution of electricity, effective March 1, 2002.

The Applicant filed a revised application ("the Revised Application") dated February 21, 2002.

-2 -

The Board published a generic Notice in newspapers across Ontario informing ratepayers of the distribution rate adjustments to be effective March 1, 2002 and providing the opportunity for ratepayers to participate in the proceeding or comment on the utility's application. In response to the Board's generic Notice, the Board received a total of 148 submissions in the form of a letter, facsimile, or e-mail. The total may be apportioned to the following four categories:

- 100 were copies of a template submission seeking an oral hearing, wanting to make oral submissions, claiming that rates are not just and reasonable. Another 9 were of the same template but indicated they did not wish to make an oral submission.
- 10 indicated that there should be an oral hearing and wanted to make a submission.
- 11 indicated that there should be an oral hearing but did not wish to make an oral submission.
- 18 made substantive submissions.

In some cases the submission named a specific electricity distributor, in other cases it did not. The Applicant was named in 5 template submissions.

By letter dated February 11, 2002 the Board directed electricity distributors to serve the Notice to the municipal corporation in the distributors' service area. No submissions were received.

The Applicant applied to adjust its distribution rates for the following:

- Input Price Inflation (IPI) and Productivity Factor as provided for in the Performance Based Regulation (PBR) Plan.
- the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR), \$8,287,261.
- the 2001 deferred Payments in Lieu of Taxes (PILs), \$4,238,236.
- the 2002 Payments in Lieu of Taxes (PILs), \$11,289,929.
- a change in the Applicant's late payment penalty and a provision for the revenue losses incurred by this change, \$1,277,710.
- recovery of \$184,658, which is two-thirds of \$276,987, to address the removal from the base 1999 net income associated with the removal of the water heater rental business to effect a "wires only company". The Applicant noted that it will seek recovery of the balance at its next annual rate adjustment application.

Copies of the Application and supporting material are available for review at the Board's offices.

While the Board has considered all of the evidence filed in this proceeding, the Board has only referenced the evidence to the extent necessary to provide background to its findings.

Board Findings

As noted above, a number of persons have written to the Board requesting that the Board hold an oral hearing in the matter of the applications by electricity distributors.

Under subsection 5.1(2) of the *Statutory Powers Procedure Act*, the Board shall not hold a written hearing where a party satisfies it that there is good reason not to hold a written hearing, in which case the Board will proceed by way of an oral or electronic hearing. Good reasons for proceeding by way of an oral hearing may include the existence of questions of credibility in which the Board will be assisted by the ability to observe the demeanor of witnesses or the complexity of evidence which parties should have the ability to test through cross-examination. Another good reason may be where an oral hearing would allow the Board to more expeditiously deal with an application.

The persons who have requested an oral hearing have not cited any such reasons but have in most cases merely stated that "the rates are not just and reasonable" and that they "would like the opportunity to present to the Board on this matter".

The current proceeding is an extension of the process undertaken by the Board to restructure Ontario's electricity distribution industry. To facilitate this work, the Board developed a regulatory framework that was the result of extensive consultation and public hearings. The current applications are the result of this framework, which is largely formulaic and includes for the first time the provision for the legislative requirement of PILs.

Persons have received an opportunity to make their concerns known to the Board through the published Notice which invited written submissions on the

applications. The Board notes that a written hearing is a public process in which all documents received by the Board are available to the public. The Board further notes that most of the issues raised by the submissions of the persons requesting an oral hearing are outside of the scope of the Board's jurisdiction in this proceeding. For example, some persons raised issues of privatization of electricity services and limitations in international trade agreements on the ability of the government to make changes to Ontario's electricity system in the future. These are not relevant to the Board's duty in this proceeding to approve just and reasonable rates for an individual distributor regulated by the Board.

Therefore, the Board has decided not to hold an oral hearing in this matter.

With respect to the Applicant's request to recover amounts associated with the removal of non-utility business, the Board has considered the following. The Board issued its decision on the Applicant's first rates application on December 15, 2000. On January 17, 2001, the Applicant brought this matter to the attention of the Board and sought an amendment to that decision. In response the Board indicated that it would review this application in due course and it may be considered in conjunction with the next annual rate adjustment application. The Board therefore concludes that the Applicant's request is appropriate and not out of period. The Board approves the Applicant's proposals in this regard. The Applicant's 2001 deferred PILs and 2002 PILS calculation of the "Depreciation & Amortization" provision was corrected to reflect the appropriate amounts. For both 2001 and 2002, the Applicant did not adjust the income tax gross-up formula for the 1.12% surtax rate. As a result,

- the 2001 deferred Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an understatement of \$16,912.

-6 -

Ontario Energy Board

- the 2002 Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an understatement of \$1,120,092.

Subject to these adjustments, the Board finds that the Applicant's proposals in the Revised Application conform with the Board's earlier decisions, directives and guidelines and the resulting rates are just and reasonable.

THE BOARD ORDERS THAT:

- 1) The rates set out in Appendix "A" of this Order are approved effective March 1, 2002.
- 2) The Applicant shall notify its customers of the rate changes coincident with the first bill reflecting the new rates.

DATED at Toronto, February 28, 2002.

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2002-0084
EB-2002-0093

February 28, 2002

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary

Enersource Hydro Mississauga Inc.
Schedule of Rates and Charges
 Effective March 1, 2002

RP-2002-0084
 EB-2002-0093

Time Periods for Time of Use (Eastern Standard Time)

Winter: All Hours, October 1 through March 31

Summer: All Hours, April 1 through September 30

Peak: 0700 to 2300 hours (local time) Monday to Friday inclusive, except for public holidays
 including New Year's Day, Good Friday, Victoria Day, Canada Day, Civic Holiday (Toronto)
 Labour Day, Thanksgiving Day, Christmas Day and Boxing Day.

Off Peak: All Other Hours.

Cost of Power rates valid only until subsection 26(1) of the Electricity Act, 1998 comes into effect.

RESIDENTIAL

Monthly Service Charge	(per month)	\$11.06
Distribution Volumetric Rate	(per kWh)	\$0.0077
Cost of Power Rate	(per kWh)	\$0.0670
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

SMALL COMMERCIAL

Monthly Service Charge	(per month)	\$14.09
Distribution Volumetric Rate	(per kWh)	\$0.0178
Cost of Power Rate	(per kWh)	\$0.0658
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$27.96
Distribution Volumetric Rate	(per kWh)	\$0.0118
Cost of Power Rate	(per kWh)	\$0.0659
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per month)	\$72.20
Distribution Volumetric Rate	(per kWh)	\$3.68
Cost of Power Demand Rate	(per kW)	\$6.9900
Cost of Power Energy Rate	(per kWh)	\$0.0448
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

Enersource Hydro Mississauga Inc.
Schedule of Rates and Charges - Page 2
 Effective March 1, 2002

RP-2002-0084
 EB-2002-0093

GENERAL SERVICE > 50 KW (Time of Use)

Monthly Service Charge	(per month)	\$1,229.21
Distribution Volumetric Rate	(per kW)	\$1.26
Cost of Power - Winter Peak	(per kW)	\$9.96
Cost of Power - Summer Peak	(per kW)	\$8.41
Cost of Power - Winter Peak	(per kWh)	\$0.0630
Cost of Power - Winter Off Peak	(per kWh)	\$0.0346
Cost of Power - Summer Peak	(per kWh)	\$0.0520
Cost of Power - Summer Off Peak	(per kWh)	\$0.0238
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

LARGE USE

Monthly Service Charge	(per month)	\$13,019.52
Distribution Volumetric Rate	(per kW)	\$2.25
Cost of Power - Winter Peak	(per kW)	\$10.38
Cost of Power - Summer Peak	(per kW)	\$7.76
Cost of Power - Winter Peak	(per kWh)	\$0.0615
Cost of Power - Winter Off Peak	(per kWh)	\$0.0339
Cost of Power - Summer Peak	(per kWh)	\$0.0508
Cost of Power - Summer Off Peak	(per kWh)	\$0.0232
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

STREET LIGHTING (Non Time of Use)

Monthly Service Charge	(per connection)	\$0.3741
Distribution Volumetric Rate	(per kW)	\$1.99
Cost of Power Demand Rate	(per kW)	\$20.17
OPGI June 1, 2001 Cost of Power Increase	(per kW)	\$2.65

UN-METERED SCATTERED LOADS

Un-metered scattered loads will be billed as Small Commercial Customers

Monthly Service Charge	(per month)	\$14.09
Distribution Volumetric Rate	(per kWh)	\$0.0178
Cost of Power Rate	(per kWh)	\$0.0658
OPGI June 1, 2001 Cost of Power Increase	(per kWh)	\$0.00735

Enersource Hydro Mississauga Inc.
Schedule of Rates and Charges - Page 3
 Effective March 1, 2002

RP-2002-0084
 EB-2002-0093

SPECIFIC SERVICE CHARGES

New Account Setup - Residential		\$	20.00
New Account Setup - Commercial Industrial		\$	30.00
Arrear's Certificate		\$	15.00
Late Payment	(per month)		2.0%
	(per annum)		26.82%
Returned Cheque		\$	12.50
Collection of Account Charge		\$	9.00
Disconnect/Reconnect Charges (non payment of account)			
At Meter - During Regular Hours		\$	20.00
At Meter - After Hours		\$	32.00
Temporary Pole Service		\$	350.00
Diversity Adjustment Credit (per KW)	Winter	\$	1.43
(discontinued at Market Opening)	Summer	\$	1.24
<u>Transformer Allowance for Customer-</u> <u>owned Stepdown Facilities</u>		\$	0.40
per kW of billing demand			
Meter Tests (dispute involvement charge)		\$	10.00
Pulling post-dated cheques		\$	10.00
Disconnect/Reconnect Service – Customer Request:			
During regular hours		\$	40.00
After regular hours		\$	64.00
Standby Charge per kW per month (based on the manufacturer's rated output of the generator)		\$	2.60
INTERRUPTIBLE DISCOUNTS			
Voluntary – per kW per hour of interruption	\$0.45		
Involuntary – per kW per hour of interruption	\$0.75		

**ENERSOURCE HYDRO MISSISSAUGA INC.
 SCHEDULE OF OTHER REGULATED RATES**

**RP-2000-0035
 EB-2001-0100
 EB-2001-0570**

Loss Factors

**Effective upon the date that subsection 26(1)
 of the *Electricity Act, 1998* comes into force.**

Supply Facilities Loss Factor (a)	1.0045
Distribution Loss Factors	
Secondary metered customers	
- Customer less than 5,000 kW (b)	1.0337
- Customer greater than 5,000 kW (c)	1.0100
Primary metered customers	
- Customer less than 5,000 kW (d)	1.0233
- Customer greater than 5,000 kW (e)	1.0000
Total Loss Factors	
Secondary metered customers	
- Customer less than 5,000 kW (a) x (b)	1.0383
- Customer greater than 5,000 kW (a) x (c)	1.0145
Primary metered customers	
- Customer less than 5,000 kW (a) x (d)	1.0280
- Customer greater than 5,000 kW (a) x (e)	1.0045

**ENERSOURCE HYDRO MISSISSAUGA INC.
 SCHEDULE OF OTHER REGULATED RATES**

**RP-2000-0035
 EB-2001-0100
 EB-2001-0570**

**Retail Transmission Rates
 Effective upon the date that subsection 26(1)
 of the *Electricity Act*, 1998 comes into force.**

Billing Determinants:

Paragraph 11.3.2 of the Rate Handbook indicates that a distributor has the option to adjust or not to adjust the class transmission charge determinants for loss factors. In its Retail Transmission Service Rates Application submitted to the Board (RP-2000-0035 / EB-2001-0100), Enersource Hydro Mississauga elected NOT to adjust the energy-only metered customers' metered energy consumption by the Total Loss Factor.

For a demand customer without an interval meter, the billing determinant for both the Network Service Rate and the Line and Transformation Connection Service Rate is the customer's peak demand at any time of the month.

For an interval metered customer, the network rate will apply to an individual end-use customer's non-coincident peak demand in the month during the peak period defined as between 7 AM and 7 PM (local time) on weekdays that are not statutory holidays. The billing determinant for the Line and Transformation Connection Service Rate is the customer's peak demand at any time of the month.

Residential

Network Service Rate	(per kWh)	\$0.0062
Line and Transformation Connection Service Rate	(per kWh)	\$0.0054

Small commercial

Network Service Rate	(per kWh)	\$0.0056
Line and Transformation Connection Service Rate	(per kWh)	\$0.0049

General Service - Less than 50 kW

Network Service Rate	(per kWh)	\$0.0056
Line and Transformation Connection Service Rate	(per kWh)	\$0.0049

**ENERSOURCE HYDRO MISSISSAUGA INC.
 SCHEDULE OF OTHER REGULATED RATES**

**RP-2000-0035
 EB-2001-0100
 EB-2001-0570**

Retail Transmission Rates
Effective upon the date that subsection 26(1)
of the *Electricity Act, 1998* comes into force.

General Service - Greater than 50 kW to 499 kW with no interval meter

Network Service Rate	(per kW)	\$2.2210
Line and Transformation Connection Service Rate	(per kW)	\$1.9280

General Service - With an interval meter 500 kW to 4999 kW

Network Service Rate	(per kW)	\$2.1488
Line and Transformation Connection Service Rate	(per kW)	\$1.8865

Large Use - With an interval meter

Network Service Rate	(per kW)	\$2.2929
Line and Transformation Connection Service Rate	(per kW)	\$2.0148

Street Lighting

Network Service Rate	(per kW)	\$1.5381
Line and Transformation Connection Service Rate	(per kW)	\$1.3941

**ENERSOURCE HYDRO MISSISSAUGA INC.
SCHEDULE OF OTHER REGULATED RATES**

**RP-2000-0035
EB-2001-0100
EB-2001-0570**

**Wholesale Market Service Rate
Effective upon the date that subsection 26(1)
of the *Electricity Act, 1998* comes into force.**

Billing Determinant:

The billing determinant is the customer's metered energy consumption adjusted by the Total Loss Factor as approved by the Board and set out in this Schedule of Other Regulated Rates.

Wholesale Market Service Rate	(per kWh)	\$ 0.0052
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**ENERSOURCE HYDRO MISSISSAUGA INC.
 SCHEDULE OF OTHER REGULATED RATES**

**RP-2000-0035
 EB-2001-0100
 EB-2001-0570**

**Standard Supply Service ("SSS") Rates
 Effective upon the date that subsection 26(1)
 of the *Electricity Act, 1998* comes into force.**

Residential

Administration Charge	(per month)	\$0.25
SSS Rate	(per kWh)	Weighted Average Hourly Spot Market Price ¹

General Service

Administration Charge	(per month)	\$0.25
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For a customer with a monthly peak demand of 50 kW or less and an annual energy consumption equal to or below 150,000 kWh:

SSS Rate	(per kWh)	Weighted Average Hourly Spot Market Price ¹
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For a customer with a monthly peak demand of greater than 50 kW

SSS Rate	(per kWh)	Weighted Average Hourly Spot Market Price ¹
SSS Rate (Interval meter)	(per kWh)	Spot Market Price

Street Lighting

Administration Charge	(per connection)	\$0.25
SSS Rate (Non-interval meter)	(per kWh)	Spot Market Price

¹ Calculated in accordance with the Retail Settlement Code

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Tab 5 – Schedule 2.2

Board Decision 2003 (EB-2004-0055)

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Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2004-0069
EB-2004-0055

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 Enersource
Hydro Mississauga Inc. for an order or orders approving or
fixing just and reasonable rates.

BEFORE: Bob Betts
Presiding Member

Paul Vlahos
Member

DECISION AND ORDER

On January 15, 2004 the Ontario Energy Board (the "Board") issued filing guidelines to all electricity distribution utilities for distribution rate adjustments related to the recovery of Regulatory Assets, to be effective March 1, 2004 and implemented on April 1, 2004.

The Applicant filed an application for such adjustment. Notice of the proceeding was published on February 5, 2004 in major newspapers in the province.

The Applicant also applied for recovery of amounts outside of the guidelines. Specifically, the Applicant requested that amounts pertaining to 2001 Q4 Payments in Lieu of Taxes not be removed when setting 2004 distribution rates. In his letter to the Board authorizing the Board to proceed with allowing the recovery of Regulatory Assets, the Minister of Energy requested that the Board report on any anomalies in the applications. At this time, the Board will approve only the portion of the application that conforms to the guidelines. The Applicant's other request will be reported as an anomaly.

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Ontario Energy Board

to the Minister along with the Board's recommendation regarding this part of the Applicant's proposal.

While the Board had originally intended to approve the disposal of RSVA amounts on a final basis, on analysis of the applications by distributors and the reporting of RSVA amounts in these applications, the Board has now determined that all rate changes should be interim. In the Board's view, it would be premature to set these rates final based on the quality of the data contained in many of the applications and the fact that the audit sampling process by the Board has not been completed.

The Board received some interventions in these proceedings, mainly concerned with Phase Two of the process. The only intervenor to make specific submissions on Phase One of the proceeding was the School Energy Coalition, ("SEC") who objected to any interim increase in rates over and above the RSVA amounts on the basis that appropriate evidence had not been filed on these amounts. The Board is not convinced by SEC's arguments and sees no substantive reason that Phase One cannot proceed. Phase One only contemplates partial recovery on an interim basis at this time. In Phase Two, the Board will review all applications to ensure that only prudent and reasonably incurred costs are recovered over the four year period mandated by the Minister.

In light of the above, the Board finds that it is in the public interest to order as follows.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached is approved on an interim basis, effective March 1, 2004, to be implemented on April 1, 2004. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2004 implementation date, the new rates shall be implemented with the first billing cycle for electricity taken or considered to have been taken from April 1, 2004.
- 2) The Applicant shall notify its customers of the rate changes by including the

MAR 17 2004 2:52 PM FR ONT ENERGY BOARD 416 440 7675 TO 99055662737 P.05/06

Ontario Energy Board

brochure provided by the Board through a different process, no later than with the first customer bill reflecting the new rates, and provide to the Board samples of any other notices sent by the Applicant to its customers with respect to the rate changes. The Board expects the Applicant to provide notice to all customers about the rate changes, no later than with the first bill reflecting the new rates.

DATED at Toronto, March 16, 2004

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Secretary

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Interim Rates
Enersource Hydro Mississauga Inc.
Schedule of Changed Distribution Rates and Charges
 Effective Date: March 1, 2004
 Implementation Date: April 1, 2004

RP-2004-0069
 EB-2004-0066

RESIDENTIAL

Monthly Service Charge	(per month)	\$11.06
Distribution Volumetric Rate	(per kWh)	\$0.0080

SMALL COMMERCIAL

Monthly Service Charge	(per month)	\$14.09
Distribution Volumetric Rate	(per kWh)	\$0.0167

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$27.96
Distribution Volumetric Rate	(per kWh)	\$0.0117

GENERAL SERVICE > 50 KW Non Time of use (<50 to 499 KW)

Monthly Service Charge	(per month)	\$72.20
Distribution Volumetric Rate	(per kWh)	\$3.77

GENERAL SERVICE > 50 Time of Use (>500 to 4999 KW)

Monthly Service Charge	(per month)	\$1,229.21
Distribution Volumetric Rate	(per kWh)	\$1.41

LARGE USE

Monthly Service Charge	(per month)	\$13,019.62
Distribution Volumetric Rate	(per kWh)	\$2.48

STREET LIGHTING (Non Time of Use)

Monthly Service Charge	(per connection)	\$0.37
Distribution Volumetric Rate	(per kWh)	\$2.25

UNMETERED SCATTERED LOAD

Billed as Small Commercial

Monthly Service Charge	(per month)	\$14.09
Distribution Volumetric Rate	(per kWh)	\$0.0167

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Tab 5 – Schedule 2.3

Board Decision 2005 (EB-2005-0051)

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Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2005-0013
EB-2005-0051

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
Enersource Hydro Mississauga Inc. for an order or
orders approving or fixing just and reasonable rates.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Vlahos
Member

Pamela Nowina
Member

DECISION AND ORDER

Background and Application

In November 2003 the Ontario government announced that it would permit local distribution companies to apply to the Board for the next installment of their allowable return on equity beginning March 1, 2005. The Government also indicated that the Board's approval would be conditional on a financial commitment to reinvest in conservation and demand management initiatives, an amount equal to one year's incremental returns.

Ontario Energy Board

2

Also in November 2003, the Government announced, in conjunction with the introduction of Bill 4, the *Ontario Energy Board Amendment Act, (Electricity Pricing), 2003*, that electricity distributors could start recovering Regulatory Assets in their rates, beginning March 1, 2004, over a four year period.

In February and March, 2004, the Board approved the applications of distributors to recover 25% of their December 31, 2002 Regulatory Asset balances (or additional amounts for rate stability) in their distribution rates on an interim basis effective March 1, 2004 and implemented on April 1, 2004.

On December 20, 2004 the Board issued filing guidelines to all electricity distribution utilities for the April 1, 2005 distribution rate adjustments. The guidelines allowed the applicants to recover three types of costs. These costs concern (i) the rate recovery of the third tranche of the allowable return on equity (Market Adjusted Revenue Requirement or "MARR"), (ii) the 2005 proxy allowance for payments in lieu of taxes ("PILs") and (iii) a second installment of the recovery of Regulatory Assets.

A generic Notice of the proceedings was published on January 25, 2005 in major newspapers in the province, which provided a 14 day period for submissions from interested parties. On February 4, 2005, the Board issued Procedural Order No. 1, providing for an extension for submissions until February 16, 2005 and also providing for reply submissions from applicants and other parties.

Ontario Energy Board

3

The Applicant filed an application for adjustments to their rates for the following amounts:

MARR: \$ 8,263,000

2005 PILs Proxy: \$ 12,769,591

Regulatory Assets: The Applicant also included the rate riders for the first of a three year recovery of regulatory assets as subsequently approved by the Board in the December 9, 2004 Decision with Reasons and the March 14, 2005 Order (RP-2004-0069/EB-2004-0323).

Submissions

The Board received one submission which addressed the 2005 rate setting process in general. This submission was made by School Energy Coalition (SEC). SEC objected to the guideline which caused the recovery of the 2005 PILs proxy to be reflected only on the variable charge. SEC was also concerned that monthly service charges and overall distribution charges varied significantly between utilities across the province. SEC also raised concerns regarding the consistency of, and access to, information on the applications as filed by the utilities.

Reply submissions to SEC's general submissions were received from the Coalition of Large Distributors, the Electricity Distributors Association, Hydro One Networks, and the LDC Coalition (a group of 7 distributors). These parties generally argued against the recommendations put forward by SEC, by and large indicating that the Board's existing processes for 2006 and 2007 have been planned to address these issues going forward and that these issues should not be added to the 2005 rates adjustment process.

The Applicant was not specifically named in any of these submissions.

Ontario Energy Board

4

The full record of the proceeding is available for review at the Board's offices.

Board Findings

The Board first addresses the general submission of SEC. While SEC raises important issues regarding electricity distribution rates, the Board has put in place a process which will address most of the issues raised by SEC on a comprehensive basis with coordinated cost of service, cost allocation and cost of capital studies for all distributors in 2006, 2007 and 2008. The Board does agree that unless there are compelling reasons to diverge from the Board's original filing guidelines for the 2005 distribution rate adjustment process, distributors should follow the guidelines in their applications.

The Board finds that the application conforms with earlier decisions of the Board (including approval for the Applicant's Conservation and Demand Management plan), directives and guidelines.

The Board will issue a separate decision on cost awards.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached as Appendix "A" is approved effective March 1, 2005, to be implemented on April 1, 2005. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2005 implementation date, the new rates shall be implemented with the first billing cycle for electricity consumed or estimated to have been consumed after April 1, 2005.

Ontario Energy Board

5

- 2) The Applicant shall notify its customers of the rate changes, no later than with the first bill reflecting the new rates and include the brochure provided by the Board.

DATED at Toronto, March 18, 2005

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2005-0013
EB-2005-0051

March 18, 2005

ONTARIO ENERGY BOARD

Enersource Hydro Mississauga Inc.
Schedule of Changed Distribution Rates and Charges
 Effective Date: March 1, 2005
 Implementation Date: April 1, 2005

RP-2005-0013
 EB-2005-0051

RESIDENTIAL

Monthly Service Charge	(per month)	\$10.23
Distribution Volumetric Rate	(per kWh)	\$0.0103
Final Rate Rider	(per kWh)	\$0.0029

SMALL COMMERCIAL

Monthly Service Charge	(per month)	\$13.20
Distribution Volumetric Rate	(per kWh)	\$0.0241
Final Rate Rider	(per kWh)	\$0.0010

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$26.40
Distribution Volumetric Rate	(per kWh)	\$0.0136
Final Rate Rider	(per kWh)	\$0.0012

GENERAL SERVICE > 50 KW TO 499 kw

Monthly Service Charge	(per month)	\$67.44
Distribution Volumetric Rate	(per kW)	\$4.0296
Final Rate Rider	(per kW)	\$0.3500

GENERAL SERVICE > 500 KW TO 4999 KW

Monthly Service Charge	(per month)	\$1,139.50
Distribution Volumetric Rate	(per kW)	\$1.5267
Final Rate Rider	(per kW)	-\$0.0100

LARGE USE

Monthly Service Charge	(per month)	\$12,054.91
Distribution Volumetric Rate	(per kW)	\$2.5109
Final Rate Rider	(per kW)	\$0.0300

STREET LIGHTING (Non Time of Use)

Monthly Service Charge	(per connection)	\$0.35
Distribution Volumetric Rate	(per kW)	\$2.6280
Final Rate Rider	(per kW)	\$0.2500

Enersource Hydro Mississauga Inc.
Schedule of Changed Distribution Rates and Charges
Effective Date: March 1, 2005
Implementation Date: April 1, 2005

RP-2005-0013
EB-2005-0051

UMETERED SCATTERED LOAD

Billed as Small Commercial		
Monthly Service Charge	(per month)	\$13.20
Distribution Volumetric Rate	(per kWh)	\$0.0241
Final Rate Rider	(per kWh)	\$0.0010

The final rate riders on this schedule reflect the first of the three year recovery of regulatory assets as approved in the December 9, 2004 Decision with Reasons and the March 14, 2005 Order.

Tab 5 – Schedule 3

2005 RAM Model

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SHEET 1 - 2002 Base Rate Schedule

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

Enter the values for your 2002 Base Rates as shown on sheet 4 of the 2002 RAM or sheet 2 of the 2004 RAM.

Using the 2002 base rates removes the impact of 2004 interim Regulatory Assets and the 2004 PILs Proxy, added in the approved rates on April 1, 2004.

Adjustments to rate classes may be made if your LDC has non-standard classes.

RESIDENTIAL

Distribution kWh Rate	\$	0.0064
Monthly Service Charge (Per Customer)	\$	8.99

SMALL COMMERCIAL

Distribution kWh Rate	\$	0.0145
Monthly Service Charge (Per Customer)	\$	11.60

GENERAL SERVICE < 50 KW

Distribution kWh Rate	\$	0.0096
Monthly Service Charge (Per Customer)	\$	23.21

GENERAL SERVICE > 50 KW TO 499 KW

Distribution KW Rate	\$	3.0158
Monthly Service Charge (Per Customer)	\$	59.29

GENERAL SERVICE > 500 KW TO 4999 KW

Distribution KW Rate	\$	1.0444
Monthly Service Charge (Per Customer)	\$	1,001.65

INTERMEDIATE USE

Distribution KW Rate	
Monthly Service Charge (Per Customer)	

LARGE USE

Distribution KW Rate	\$ 1.8558
Monthly Service Charge (Per Customer)	\$ 10,598.03

SENTINEL LIGHTS (NON TIME OF USE)

Distribution KW Rate	
Monthly Service Charge (Per Connection)	

OR

SENTINEL LIGHTS (TIME OF USE)

Distribution KW Rate	
Monthly Service Charge (Per Connection)	

STREET LIGHTING (NON TIME OF USE)

Distribution KW Rate	\$ 1.6358
Monthly Service Charge (Per Connection)	\$ 0.31

OR

STREET LIGHTING (TIME OF USE)

Distribution KW Rate	
Monthly Service Charge (Per Connection)	

SHEET 2 - Calculating The Rate Increase Due To The Addition of 1/3 MARR

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

Enter the final MARR installment calculated in the 2001 RUD Model	\$ 8,287,261.00
Have you applied for approval of your C&DM plan?	yes
Enter the amount applied for your C&DM plan	\$8,263,000.00
Has the C&DM application been approved?	yes
Enter the final MARR installment (based on Board-Approved C&DM plan or applied-for amount)	\$ 8,263,000.00

Grossed-up MARR based on 14 months recovery over 13 months. PLUS LPC ADJUSTMENT \$185,255	\$ 9,083,870.38
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Use the Table below to enter the 1999 data for your LDC from your approved 2001 RUD Model.
 1999 Distribution Revenue Shares will be used to allocate the Board-Approved MARR Value to rate classes.
 You may adjust the rate classes if your LDC has non-standard classes.

1999 Data by Class	kW	kWh	Number of Customers (Connections)	Distribution Revenues	1999 Distribution Shares	Allocation of Board-Approved MARR Value
Residential Class		1,359,717,553	134,532	\$17,089,139	35.14%	\$3,192,163
Small Commercial		16,091,586	2,592	\$436,916	0.90%	\$81,614
General Service < 50 KW Class		644,343,458	15,327	\$7,708,247	15.85%	\$1,439,861
General Service > 50 KW to 499KW	5,546,132	2,050,737,089	3,111	\$13,922,819	28.63%	\$2,600,711
General Service > 500 KW to 4999KW	4,130,016	1,900,441,274	369	\$6,445,385	13.25%	\$1,203,965
Intermediate Use	0	0	0	\$0	0.00%	\$0
Large Class User	1,368,730	818,047,576	10	\$2,802,161	5.76%	\$523,429
Sentinel Lights	0	0	0	\$0	0.00%	\$0
Street Lighting	92,376	33,293,594	42,208	\$225,537	0.46%	\$42,129
TOTALS	11,137,254	6,822,672,130	198,149	\$48,630,204	100.00%	\$9,083,870
Grossed-up MARR Value =====>						\$9,083,870

Note: LDCs must enter the fixed-variable split used on Sheet 13 (Sensitivity Analysis 2) of their 2001 Approved RUD Model.

Residential Class

	Variable Charge Recovery	Service Charge Recovery	Total Board-Approved MARR Recovery
(A) Allocated MARR			\$3,192,163
(B) Fixed-Variable Split (%)	37.4%	62.6%	100%
(C) Re-Allocated MARR (\$)	\$1,193,869	\$1,998,294	\$3,192,163
(D) Number of kWh	1,359,717,553		
(E) Number of Customers		134,532	
(F) Incremental Distribution kWh Rate (\$/kWh)	\$0.0009		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$1.2378	

Small Commercial

	Variable Charge Recovery	Service Charge Recovery	Total Board-Approved MARR Recovery
(A) Allocated MARR			\$81,614
(B) Fixed-Variable Split (%)	39.2%	60.8%	100%
(C) Re-Allocated MARR (\$)	\$31,993	\$49,621	\$81,614
(D) Number of kWh	16,091,586		
(E) Number of Customers		2,592	
(F) Incremental Distribution kWh Rate (\$/kWh)	\$0.0020		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$1.5953	

General Service < 50 kW Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$1,439,861
(B) Fixed-Variable Split (%)	59.2%	40.8%	100%
(C) Re-Allocated MARR (\$)	\$852,397	\$587,463	\$1,439,861
(D) Number of kWh	644,343,458		
(E) Number of Customers		15,327	
(F) Incremental Distribution kWh Rate (\$/kWh)	\$0.0013		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$3.1941	

General Service > 50 kW To 499 kW

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$2,600,711
(B) Fixed-Variable Split (%)	88.3%	11.7%	100%
(C) Re-Allocated MARR (\$)	\$2,296,427	\$304,283	\$2,600,711
(D) Number of kW	5,546,132		
(E) Number of Customers		3,111	
(F) Incremental Distribution kWh Rate (\$/kW)	\$0.4141		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$8.1507	

General Service > 500 kW To 4999 kW

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$1,203,965
(B) Fixed-Variable Split (%)	49.3%	50.7%	100%
(C) Re-Allocated MARR (\$)	\$593,555	\$610,410	\$1,203,965
(D) Number of kW	4,130,016		
(E) Number of Customers		369	
(F) Incremental Distribution kW Rate (\$/kW)	\$0.1437		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$137.8523	

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$0
(B) Fixed-Variable Split (%)			0%
(C) Re-Allocated MARR (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Number of Customers		0	
(F) Incremental Distribution kW Rate (\$/kW)	\$0.0000		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$0.0000	

Large User Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$523,429
(B) Fixed-Variable Split (%)	66.6%	33.4%	100%
(C) Re-Allocated MARR (\$)	\$348,604	\$174,825	\$523,429
(D) Number of kW	1,368,730		
(E) Number of Customers		10	
(F) Incremental Distribution kW Rate (\$/kW)	\$0.2547		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$1,456.8779	

Sentinel Lighting Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$0
(B) Fixed-Variable Split (%)			0%
(C) Re-Allocated MARR (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Number of Customers		0	
(F) Incremental Distribution kW Rate (\$/kW)	\$0.0000		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$0.0000	

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$42,129
(B) Fixed-Variable Split (%)	49.3%	50.7%	100%
(C) Re-Allocated MARR (\$)	\$20,770	\$21,359	\$42,129
(D) Number of kW	92,376		
(E) Number of Customers		42,208	
(F) Incremental Distribution kW Rate (\$/kW)	\$0.2248		
(G) Incremental Monthly Service Charge (C)/(E)/12		\$0.0422	

SHEET 3 - 2005 Base Rates (2002 Base Rates + Final MARR)

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

Residential Class

DISTRIBUTION KWH RATE	\$0.0073
MONTHLY SERVICE CHARGE (Per Customer)	\$10.23

Small Commercial

DISTRIBUTION KWH RATE	\$0.0165
MONTHLY SERVICE CHARGE (Per Customer)	\$13.20

General Service < 50 KW

DISTRIBUTION KWH RATE	\$0.0110
MONTHLY SERVICE CHARGE (Per Customer)	\$26.40

General Service > 50 KW to 499 KW

DISTRIBUTION KW RATE	\$3.4299
MONTHLY SERVICE CHARGE (Per Customer)	\$67.44

General Service > 500 KW to 4999kW

DISTRIBUTION KW RATE	\$1.1881
MONTHLY SERVICE CHARGE (Per Customer)	\$1,139.50

Intermediate Use

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Customer)	

Large Use

DISTRIBUTION KW RATE	\$2.1104
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MONTHLY SERVICE CHARGE (Per Customer)	\$12,054.91
---------------------------------------	-------------

Sentinel Lights (Non-Time of Use)

DISTRIBUTION KW RATE	
----------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

OR

Sentinel Lights (Time of Use)

DISTRIBUTION KW RATE	
----------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

Street Lighting (Non-Time of Use)

DISTRIBUTION KW RATE	\$1.8606
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MONTHLY SERVICE CHARGE (Per Connection)	\$0.35
---	--------

OR

Street Lighting (Time of Use)

DISTRIBUTION KW RATE	
----------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

SHEET 4 - Calculating Incremental Rate Increase Due To 2005 PILs

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

This schedule requires LDCs to input the 2003 data which will be used to allocate 2005 PILs to the rate classes.
 The 2005 PILs Proxy is calculated in the 2005 PILs model, TAXCALC Worksheet, Cell C95

Enter the 2005 PILs Proxy Amount \$ 12,769,591

Distribution Revenue is used to allocate the 2005 PILs Proxy Amount to the rate classes.

2003 Data by Class	kW	kWh	Number of Customers (Connections)	Distribution Revenues	2003 Distribution Shares	2005 PILs Proxy Allocation
Residential Class		1,522,199,413	153,732	\$32,350,007	36.6%	\$4,668,516
Small Commercial		17,965,483	3,691	\$947,023	1.1%	\$136,667
General Service < 50 KW Class		701,611,062	15,647	\$12,748,720	14.4%	\$1,839,802
General Service > 50 KW to 499 KW	6,313,615	2,746,344,381	3,838	\$26,239,693	29.7%	\$3,786,720
General Service > 500 KW to 4999 KW	4,709,720	1,571,786,516	400	\$11,051,528	12.5%	\$1,594,876
Intermediate Use					0.0%	\$0
Large Class User	1,654,554	996,464,909	10	\$4,591,723	5.2%	\$662,644
Sentinel Lights					0.0%	\$0
Street Lighting	104,728	37,198,444	46,530	\$556,883	0.6%	\$80,365
TOTALS		7,593,570,208	223,848	\$88,485,577	1.00	\$12,769,591
				2005 PILs Proxy Amount =====>		\$12,769,591

2005 PILs Proxy amount will be recovered only in the distribution kWh charge (Variable Charge).

Residential Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$4,668,516
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$4,668,516	\$0	\$4,668,516
(D) Number of kWh	1,522,199,413		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0031		

Small Commercial

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$136,667
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$136,667	\$0	\$136,667
(D) Number of kWh	17,965,483		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0076		

General Service < 50 kW Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$1,839,802
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$1,839,802	\$0	\$1,839,802
(D) Number of kWh	701,611,062		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0026		

General Service > 50 kW to 499 kW

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$3,786,720
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$3,786,720	\$0	\$3,786,720
(D) Number of kW	6,313,615		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.5998		

General Service > 500 kW to 4999 kW

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$1,594,876
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$1,594,876	\$0	\$1,594,876
(D) Number of kW	4,709,720		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.3386		

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Large User Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$662,644
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$662,644	\$0	\$662,644
(D) Number of kW	1,654,554		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.4005		

Sentinel Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$80,365
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$80,365	\$0	\$80,365
(D) Number of kW	104,728		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.7674		

SHEET 5 - Rate Schedule including 2005 PILs

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

RESIDENTIAL

DISTRIBUTION KWH RATE	\$0.0103
MONTHLY SERVICE CHARGE (Per Customer)	\$10.23

SMALL COMMERCIAL

DISTRIBUTION KWH RATE	\$0.0241
MONTHLY SERVICE CHARGE (Per Customer)	\$13.20

GENERAL SERVICE < 50 KW

DISTRIBUTION KWH RATE	\$0.0136
MONTHLY SERVICE CHARGE (Per Customer)	\$26.40

GENERAL SERVICE > 50 KW to 499 KW

DISTRIBUTION KW RATE	\$4.0296
MONTHLY SERVICE CHARGE (Per Customer)	\$67.44

GENERAL SERVICE > 500 KW to 4999 KW

DISTRIBUTION KW RATE	\$1.5267
MONTHLY SERVICE CHARGE (Per Customer)	\$1,139.50

INTERMEDIATE USE

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Customer)	

LARGE USE

DISTRIBUTION KW RATE	\$2.5109
MONTHLY SERVICE CHARGE (Per Customer)	\$12,054.91

SENTINEL LIGHTS (NON TIME OF USE)

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Connection)	

OR

SENTINEL LIGHTS (TIME OF USE)

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Connection)	

STREET LIGHTING (NON TIME OF USE)

DISTRIBUTION KW RATE	\$2.6280
MONTHLY SERVICE CHARGE (Per Connection)	\$0.35

OR

STREET LIGHTING (TIME OF USE)

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Connection)	

SHEET 6 - December 31, 2003 Regulatory Assets

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

LDCs should enter their December 3, 2003 balances for each regulatory asset account.
 In the case of distributors that have approved Regulatory Asset recovery rate riders, the distributor should not enter any balances on Sheet 6 and should go directly to Sheet 10.
 In this instance, the rate schedule on Sheet 5 is identical to Sheet 9.

Description	Account Number	Amount Applied- for Balance as at Dec. 31, 2003
RSVA - Wholesale Market Service Charge	1580	
RSVA - One-time Wholesale Market Service	1582	
RSVA - Retail Transmission Network Charge	1584	
RSVA - Retail Transmission Connection Charge	1586	
RSVA - Power	1588	
Sub-Total for RSVA Accounts		\$0
Current Recovery: Amount Entered on Sheet 3, cell G13, of 2004 RAM		
Adjusted 2005 Recovery Amount (RSVA Accounts)		\$0
Other Regulatory Assets	1508	
Retail Cost Variance Account - Retail	1518	
Retail Cost Variance Account - STR	1548	
Misc. Deferred Debits - incl. Rebate Cheques	1525	
Deferred Payments in Lieu of Taxes	1562	
<i>PILs Contra Account</i>	1563	
Qualifying Transition Costs	1570	
Pre-Market Opening Energy Variances Total	1571	
Extra-Ordinary Event Losses	1572	
Deferred Rate Impact Amounts	1574	
Other Deferred Credits	2425	
Sub-Total for Non-RSVA Regulatory Asset Accounts		\$0
Current Recovery: Amount Entered on Sheet 5, cell G14, of 2004 RAM		
Adjusted 2005 Recovery Amount (Non-RSVA Accounts)		\$0
Total Adjusted Regulatory Assets		\$0
33% of Total Adjusted Regulatory Assets		\$0.00



<u>Section 1: For LDCs with Total RSVA adjusted balances greater than 33 % of Total:</u>		
Total Adjusted Balance for RSVA Accounts	(a)	N/A
33% of Total Adjusted Regulatory Assets	(b)	N/A
Remaining Final Amount to be recovered in future periods (a) - (b)		<u>N/A</u>

<u>Section 2: For LDCs with Total RSVA adjusted balances less than 33 % of Total:</u>		
33% OF Total Adjusted Regulatory Assets		N/A
Total Adjusted Balance for RSVA Accounts		N/A
Amount to be collected from RSVA Accounts		N/A
Amount to be collected from Non-RSVA accounts	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	N/A

Rate Implementation

☐ YES ☒ NO
 Check Box
 YES or NO

Our utility is able to pro-rate the bill so that consumption before April 1 is at the old rates and post April 1 consumption is billed at the new rates.

Our utility is not able to pro-rate consumption and therefore our customers will not be charged the new rates until the completion of an entire billing cycle.

SHEET 7 - Calculating Rate Increases due to interim RSVA Regulatory Assets

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

Approved Regulatory Asset Recovery from Sheet 4 (either from Section 1 or Section 2)

N/A

The share of class kWh sold in 2003 is used to allocate the approved interim RSVA Regulatory Asset amounts.

2003 Data by Class	kW	kWh	Number of Customers (Connections)	Distribution Revenues	2003 kWh Shares	2003 RSVA Allocations
Residential Class	0	0	0	\$0		\$0
General Service < 50 KW Class	0	0	0	\$0		\$0
General Service > 50 KW Non-Time of Use	0	0	0	\$0		\$0
General Service > 50 KW Time of Use	0	0	0	\$0		\$0
Intermediate Use	0	0	0	\$0		\$0
Large Class User	0	0	0	\$0		\$0
Sentinel Lights	0	0	0	\$0		\$0
Street Lighting	0	0	0	\$0		\$0
TOTALS		0	0	\$0.00	-	\$0
Allocated Total for RSVA accounts =====>						N/A

Regulatory Assets will be recovered only in the distribution variable charge (\$/kWh or \$/kW).

Residential Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kWh	0		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0000		

General Service < 50 kW Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kWh	0		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0000		

General Service > 50 kW Class (Non-Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

General Service > 50 kW Class (Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Large User Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Sentinel Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

SHEET 8 - Calculating Rate Increases due to interim Non-RSVA Regulatory Assets

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

Approved Regulatory Asset Recovery from Non-RSVA Accounts(Sheet 4, Section 2)

N/A

Distribution Revenue is used to allocate the approved final Regulatory Asset amounts related to the Non-RSVA accounts.

2003 Data by Class	kW	kWh	Number of Customers (Connections)	Distribution Revenues	2003 Distribution Shares	2002 Regulatory Asset RSVA Allocations
Residential Class	0	1,522,199,413	153,732	\$32,350,007	36.6%	\$0
Small Commercial	0	17,965,483	3,691	\$947,023	1.1%	\$0
General Service < 50 KW Class	0	701,611,062	15,647	\$12,748,720	14.4%	\$0
General Service > 50 KW to 499 KW	6,313,615	2,746,344,381	3,838	\$26,239,693	29.7%	\$0
General Service > 500 KW to 4999 KW	4,709,720	1,571,786,516	400	\$11,051,528	12.5%	\$0
Intermediate Use	0	0	0	\$0	0.0%	\$0
Large Class User	1,654,554	996,464,909	10	\$4,591,723	5.2%	\$0
Sentinel Lights	0	0	0	\$0	0.0%	\$0
Street Lighting	104,728	37,198,444	46,530	\$556,883	0.6%	\$0
TOTALS		7,593,570,208	223,848	\$88,485,577	1.00	\$0
Allocated Total for Non-RSVA accounts =====>						N/A

Regulatory Assets will be recovered only in the distribution variable charge (\$/kWh or \$/kW).

Residential Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kWh	1,522,199,413		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0000		

Small Commercial

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kWh	0		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0000		

General Service < 50 kW Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kWh	701,611,062		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.0000		

General Service > 50 kW to 499 kW

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	6,313,615		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

General Service > 500 kW to 4999 kW

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	4,709,720		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Large User Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	1,654,554		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Sentinel Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	0		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated RSVA			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated RSVA (\$)	\$0	\$0	\$0
(D) Number of kW	104,728		
(E) Incremental Distribution kW Rate (\$/kW)	\$0.0000		

SHEET 9 - Rate Schedule for 2005 Base Rates + PILs + Interim 2005 Regulatory Assets

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

RESIDENTIAL

DISTRIBUTION KWH RATE	\$0.0103
MONTHLY SERVICE CHARGE (Per Customer)	\$10.23

Small Commercial

DISTRIBUTION KWH RATE	\$0.0241
MONTHLY SERVICE CHARGE (Per Customer)	\$13.20

GENERAL SERVICE < 50 KW

DISTRIBUTION KWH RATE	\$0.0136
MONTHLY SERVICE CHARGE (Per Customer)	\$26.40

GENERAL SERVICE > 50 KW to 499 KW

DISTRIBUTION KW RATE	\$4.0296
MONTHLY SERVICE CHARGE (Per Customer)	\$67.44

GENERAL SERVICE > 500 KW to 4999 KW

DISTRIBUTION KW RATE	\$1.5267
MONTHLY SERVICE CHARGE (Per Customer)	\$1,139.50

INTERMEDIATE USE

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Customer)	

LARGE USE

DISTRIBUTION KW RATE	\$2.5109
MONTHLY SERVICE CHARGE (Per Customer)	\$12,054.91

SENTINEL LIGHTS (NON TIME OF USE)

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Connection)	

OR

SENTINEL LIGHTS (TIME OF USE)

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Connection)	

STREET LIGHTING (NON TIME OF USE)

DISTRIBUTION KW RATE	\$2.6280
MONTHLY SERVICE CHARGE (Per Connection)	\$0.35

OR

STREET LIGHTING (TIME OF USE)

DISTRIBUTION KW RATE	
MONTHLY SERVICE CHARGE (Per Connection)	

SHEET 10 - Phase 2 Final Rate Riders

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

This sheet is to be used by those distributors that have final approval of their Regulatory Asset Recovery - Phase 2 rate riders.

Class	Rate Rider per kWh (or kW)
Residential Class	\$ 0.0029
Small Commercial	\$ 0.0010
General Service < 50 KW Class	\$ 0.0012
General Service > 50 KW to 499 KW	\$ 0.35
General Service > 500 KW to 4999 KW	\$ (0.01)
Intermediate Use	
Large Class User	\$ 0.03
Sentinel Lights	
Street Lighting	\$ 0.25

Enersource Hydro Mississauga Inc.
RP-2005-0013 EB-2005-0051
Schedule of Changed Distribution Rates and Charges
Effective April 1, 2005 until April 30, 2006

LDCs may amend this schedule to reflect the rate classes that apply in their specific service territory.

RESIDENTIAL

Monthly Service Charge	(per month)	\$10.23
Distribution Volumetric Rate	(per kWh)	\$0.0132

SMALL COMMERCIAL

Monthly Service Charge	(per month)	\$13.20
Distribution Volumetric Rate	(per kWh)	\$0.0251

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$26.40
Distribution Volumetric Rate	(per kWh)	\$0.0148

GENERAL SERVICE > 50 KW to 499 KW

Monthly Service Charge	(per month)	\$67.44
Distribution Volumetric Rate	(per kW)	\$4.3796

GENERAL SERVICE > 500 KW to 4999 KW

Monthly Service Charge	(per month)	\$1,139.50
Distribution Volumetric Rate	(per kW)	\$1.5167

INTERMEDIATE USE

Monthly Service Charge	(per month)	
Distribution Volumetric Rate	(per kW)	

LARGE USE

Monthly Service Charge	(per month)	\$12,054.91
Distribution Volumetric Rate	(per kW)	\$2.5409

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per month)	
Distribution Volumetric Rate	(per kW)	

SENTINEL LIGHTS (Time of Use)

Monthly Service Charge	(per month)
Distribution Volumetric Rate	(per kW)

STREET LIGHTING (Non Time of Use)

Monthly Service Charge	(per month)	\$0.35
Distribution Volumetric Rate	(per kW)	\$2.8780

STREET LIGHTING (Time of Use)

Monthly Service Charge	(per month)
Distribution Volumetric Rate	(per kW)

SHEET 12 - Current Rates as of April 1, 2004

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.1
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E- Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

In order to calculate bill impacts on Sheet 13, enter your current rates as approved in your 2004 Rate Order.

You may adjust the rate classes if your LDC has non-standard classes.

RESIDENTIAL

Distribution kWh Rate	\$0.0080
Monthly Service Charge (Per Customer)	\$11.06

SMALL COMMERCIAL

Distribution kWh Rate	\$0.0167
Monthly Service Charge (Per Customer)	\$14.09

GENERAL SERVICE < 50 KW

Distribution kWh Rate	\$0.0117
Monthly Service Charge (Per Customer)	\$27.96

GENERAL SERVICE > 50 KW to 499 KW

Distribution KW Rate	\$3.7700
Monthly Service Charge (Per Customer)	\$72.20

GENERAL SERVICE > 500 KW to 4999 KW

Distribution KW Rate	\$1.4100
Monthly Service Charge (Per Customer)	\$1,229.21

INTERMEDIATE USE

Distribution KW Rate	
Monthly Service Charge (Per Customer)	

LARGE USE

Distribution KW Rate	\$2.4800
Monthly Service Charge (Per Customer)	\$13,019.52

SENTINEL LIGHTS (NON TIME OF USE)

Distribution KW Rate	
Monthly Service Charge (Per Customer)	

OR

SENTINEL LIGHTS (TIME OF USE)

Distribution KW Rate	
Monthly Service Charge (Per Customer)	

STREET LIGHTING (NON TIME OF USE)

Distribution KW Rate	\$2.2500
Monthly Service Charge (Per Customer)	\$0.37

OR

STREET LIGHTING (TIME OF USE)

Distribution KW Rate	
Monthly Service Charge (Per Customer)	

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

Name of Utility:	Enersource Hydro Mississauga Inc.	2005.V1.0
License Number:	ED-2003-0017	RP-2005-0013
Name of Contact:	Ralph Amar	EB-2005-0051
E-Mail Address:	ramar@enersource.com	
Phone Number:	905-283-4049	Extension:
Date:	January 17, 2005	

Monthly Consumption

RESIDENTIAL CLASS

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$0.0107, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0239/kWh. These charges may differ slightly for your utility. In addition, consumption has not been adjusted for line losses.

ENTER DESIRED CONSUMPTION LEVEL (kWh)	CURRENT 2004 BILL				FUTURE 2005 BILL				
	kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
100									
	Monthly Service Charge	N/A	N/A	\$ 11.06	Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	100	\$ 0.0080	\$ 0.80	Distribution (kWh)	100	\$ 0.0132	\$ 1.32	
			Sub-Total	\$ 11.86			Sub Total	\$ 11.55	\$ (0.31) -2.59%
	Other Charges (kWh)	100	\$ 0.0248	\$ 2.48	Other Charges (kWh)	100	\$ 0.0248	\$ 2.48	
	Cost of Power (kWh)	100	\$ 0.0470	\$ 4.70	Cost of Power (kWh)	100	\$ 0.0470	\$ 4.70	
	Current 2004 Bill			\$ 19.04	Adjusted 2005 Bill			\$ 18.73	\$ (0.31) -1.61%

ENTER DESIRED CONSUMPTION LEVEL (kWh)	CURRENT 2004 BILL				FUTURE 2005 BILL				
	kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
250									
	Monthly Service Charge	N/A	N/A	\$ 11.06	Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	250	\$ 0.0080	\$ 2.00	Distribution (kWh)	250	\$ 0.0132	\$ 3.31	
			Sub-Total	\$ 13.06			Sub Total	\$ 13.54	\$ 0.48 3.65%
	Other Charges (kWh)	250	\$ 0.0248	\$ 6.20	Other Charges (kWh)	250	\$ 0.0248	\$ 6.20	
	Cost of Power (kWh)	250	\$ 0.0470	\$ 11.75	Cost of Power (kWh)	250	\$ 0.0470	\$ 11.75	
	Current 2004 Bill			\$ 31.01	Adjusted 2005 Bill			\$ 31.49	\$ 0.48 1.54%

ENTER DESIRED CONSUMPTION LEVEL (kWh)	CURRENT 2004 BILL				FUTURE 2005 BILL				
	kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
500									
	Monthly Service Charge	N/A	N/A	\$ 11.06	Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	500	\$ 0.0080	\$ 4.00	Distribution (kWh)	500	\$ 0.0132	\$ 6.61	
			Sub-Total	\$ 15.06			Sub Total	\$ 16.84	\$ 1.78 11.85%
	Other Charges (kWh)	500	\$ 0.0248	\$ 12.40	Other Charges (kWh)	500	\$ 0.0248	\$ 12.40	
	Cost of Power (kWh)	500	\$ 0.0470	\$ 23.50	Cost of Power (kWh)	500	\$ 0.0470	\$ 23.50	
	Current 2004 Bill			\$ 50.96	Adjusted 2005 Bill			\$ 52.74	\$ 1.78 3.50%

ENTER DESIRED CONSUMPTION LEVEL (kWh)	CURRENT 2004 BILL				FUTURE 2005 BILL				
	kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
750									
	Monthly Service Charge	N/A	N/A	\$ 11.06	Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	750	\$ 0.0080	\$ 6.00	Distribution (kWh)	750	\$ 0.0132	\$ 9.92	
			Sub-Total	\$ 17.06			Sub Total	\$ 20.15	\$ 3.09 18.12%
	Other Charges (kWh)	750	\$ 0.0248	\$ 18.60	Other Charges (kWh)	750	\$ 0.0248	\$ 18.60	
	Cost of Power (kWh)	750	\$ 0.0470	\$ 35.25	Cost of Power (kWh)	750	\$ 0.0470	\$ 35.25	

Current 2004 Bill		\$	70.91	Adjusted 2005 Bill		\$	74.00	\$	3.09	4.36%
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ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
1,000										
	Monthly Service Charge	N/A	N/A	\$ 11.06		Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	1000	\$0.0080	\$ 8.00		Distribution (kWh)	1000	0.0132	\$ 13.23	
			Sub-Total	\$ 19.06				Sub Total	\$ 23.46	\$ 4.40 23.08%
	Other Charges (kWh)	1000	0.0248	\$ 24.80		Other Charges (kWh)	1000	0.0248	\$ 24.80	
	Cost of Power (kWh)	750	0.0470	\$ 35.25		Cost of Power (kWh)	750	0.0470	\$ 35.25	
	Cost of Power (kWh)	250	0.0550	\$ 13.75		Cost of Power (kWh)	250	0.0550	\$ 13.75	
				Current 2004 Bill	\$	92.86			Adjusted 2005 Bill	\$ 97.26 \$ 4.40 4.74%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
1,500										
	Monthly Service Charge	N/A	N/A	\$ 11.06		Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	1500	\$0.0080	\$ 12.00		Distribution (kWh)	1500	0.0132	\$ 19.84	
			Sub-Total	\$ 23.06				Sub Total	\$ 30.07	\$ 7.01 30.41%
	Other Charges (kWh)	1500	0.0248	\$ 37.20		Other Charges (kWh)	1500	0.0248	\$ 37.20	
	Cost of Power (kWh)	750	0.0470	\$ 35.25		Cost of Power (kWh)	750	0.0470	\$ 35.25	
	Cost of Power (kWh)	750	0.0550	\$ 41.25		Cost of Power (kWh)	750	0.0550	\$ 41.25	
				Current 2004 Bill	\$	136.76			Adjusted 2005 Bill	\$ 143.77 \$ 7.01 5.13%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
2,000										
	Monthly Service Charge	N/A	N/A	\$ 11.06		Monthly Service Charge	N/A	N/A	\$ 10.23	
	Distribution (kWh)	2000	\$0.0080	\$ 16.00		Distribution (kWh)	2000	0.0132	\$ 26.46	
			Sub-Total	\$ 27.06				Sub Total	\$ 36.69	\$ 9.63 35.57%
	Other Charges (kWh)	2000	0.0248	\$ 49.60		Other Charges (kWh)	2000	0.0248	\$ 49.60	
	Cost of Power (kWh)	750	0.0470	\$ 35.25		Cost of Power (kWh)	750	0.0470	\$ 35.25	
	Cost of Power (kWh)	1,250	0.0550	\$ 68.75		Cost of Power (kWh)	1,250	0.0550	\$ 68.75	
				Current 2004 Bill	\$	180.66			Adjusted 2005 Bill	\$ 190.29 \$ 9.63 5.33%

GENERAL SERVICE < 50 KW

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$0.0097, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0229/kWh. These charges may differ slightly for your utility.
 In addition, consumption has not been adjusted for line losses.

		CURRENT 2004 BILL				FUTURE 2005 BILL										
ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh		RATE \$/kWh		CHARGE (\$)		kWh		RATE \$/kWh		CHARGE (\$)		IMPACT (\$)	IMPACT (%)	
	1,000															
		Monthly Service Charge	N/A		N/A	\$	27.96		Monthly Service Charge	N/A		N/A	\$	26.40		
		Distribution (kWh)	1000	\$	0.0117	\$	11.70		Distribution (kWh)	1000	\$	0.0148	\$	14.76		
					Sub-Total	\$	39.66					Sub Total	\$	41.17	\$	1.51 3.80%
	Other Charges (kWh)	1000	\$	0.0237	\$	23.70		Other Charges (kWh)	1000	\$	0.0237	\$	23.70			
	Cost of Power (kWh)	1000	\$	0.0470	\$	47.00		Cost of Power (kWh)	1000	\$	0.0470	\$	47.00			
		Current 2004 Bill			\$	110.36		Adjusted 2005 Bill			\$	111.87	\$	1.51	1.36%	

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
2,000										
	Monthly Service Charge	N/A	N/A	\$ 27.96	Monthly Service Charge	N/A	N/A	\$ 26.40		
	Distribution (kWh)	2000	\$0.0117	\$ 23.40	Distribution (kWh)	2000	\$0.0148	\$ 29.53		
			Sub-Total	\$ 51.36			Sub Total	\$ 55.93	\$ 4.57	8.90%
	Other Charges (kWh)	2000	\$0.0237	\$ 47.40	Other Charges (kWh)	2,000	\$0.0237	\$ 47.40		
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		
	Cost of Power (kWh)	1,250	\$0.0550	\$ 68.75	Cost of Power (kWh)	1,250	\$0.0550	\$ 68.75		
	Current 2004 Bill			\$ 202.76	Adjusted 2005 Bill			\$ 207.33	\$ 4.57	2.25%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
5,000										
	Monthly Service Charge	N/A	N/A	\$ 27.96	Monthly Service Charge	N/A	N/A	\$ 26.40		
	Distribution (kWh)	5000	\$0.0117	\$ 58.50	Distribution (kWh)	5000	\$0.0148	\$ 73.82		
			Sub-Total	\$ 86.46			Sub Total	\$ 100.22	\$ 13.76	15.92%
	Other Charges (kWh)	5000	\$0.0237	\$ 118.50	Other Charges (kWh)	5,000	\$0.0237	\$ 118.50		
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		
	Cost of Power (kWh)	4,250	\$0.0550	\$ 233.75	Cost of Power (kWh)	4,250	\$0.0550	\$ 233.75		
	Current 2004 Bill			\$ 473.96	Adjusted 2005 Bill			\$ 487.72	\$ 13.76	2.90%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
10,000										
	Monthly Service Charge	N/A	N/A	\$ 27.96	Monthly Service Charge	N/A	N/A	\$ 26.40		
	Distribution (kWh)	10000	\$0.0117	\$ 117.00	Distribution (kWh)	10000	\$0.0148	\$ 147.64		
			Sub-Total	\$ 144.96			Sub Total	\$ 174.04	\$ 29.08	20.06%
	Other Charges (kWh)	10000	\$0.0237	\$ 237.00	Other Charges (kWh)	10,000	\$0.0237	\$ 237.00		
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		
	Cost of Power (kWh)	9,250	\$0.0550	\$ 508.75	Cost of Power (kWh)	9,250	\$0.0550	\$ 508.75		
	Current 2004 Bill			\$ 925.96	Adjusted 2005 Bill			\$ 955.04	\$ 29.08	3.14%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
15,000										
	Monthly Service Charge	N/A	N/A	\$ 27.96	Monthly Service Charge	N/A	N/A	\$ 26.40		
	Distribution (kWh)	15000	\$0.0117	\$ 175.50	Distribution (kWh)	15000	\$0.0148	\$ 221.46		
			Sub-Total	\$ 203.46			Sub Total	\$ 247.86	\$ 44.40	21.82%
	Other Charges (kWh)	15000	\$0.0237	\$ 355.50	Other Charges (kWh)	15,000	\$0.0237	\$ 355.50		
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		
	Cost of Power (kWh)	14,250	\$0.0550	\$ 783.75	Cost of Power (kWh)	14,250	\$0.0550	\$ 783.75		
	Current 2004 Bill			\$ 1,377.96	Adjusted 2005 Bill			\$ 1,422.36	\$ 44.40	3.22%

GENERAL SERVICE > 50 KW to 3000 KW

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$3.91/kW, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
 Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
 You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL						
ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
kW	60	Monthly Service Charge	N/A	N/A	\$ 72.20	Monthly Service Charge	N/A	N/A	\$ 67.44		
	kWh	Distribution (kW)	60	\$3.7700	\$ 226.20	Distribution (kW)	60	\$4.3796	\$ 262.78		
		Sub-Total		\$ 298.40	Sub Total		\$ 330.21	\$ 31.81	10.66%		
		Other Charges (kW)	60	\$4.1490	\$ 248.94	Other Charges (kW)	60.00	\$4.1490	\$ 248.94		
		Other Charges (kWh)	15,000	\$0.0132	\$ 198.00	Other Charges (kWh)	15,000	\$0.0132	\$ 198.00		
	Cost of Power (kWh)	750	\$0.0550	\$ 41.25	Cost of Power (kWh)	750	\$0.0550	\$ 41.25			
Current 2004 Bill				\$ 786.59	Adjusted 2005 Bill				\$ 818.40	\$ 31.81	4.04%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
kW	100	Monthly Service Charge	N/A	N/A	\$ 72.20	Monthly Service Charge	N/A	N/A	\$ 67.44		
	kWh	Distribution (kW)	100	\$3.7700	\$ 377.00	Distribution (kW)	100	\$4.3796	\$ 437.96		
		Sub-Total		\$ 449.20	Sub Total		\$ 505.40	\$ 56.20	12.51%		
		Other Charges (kW)	100	\$4.1490	\$ 414.90	Other Charges (kW)	100.00	\$4.1490	\$ 414.90		
		Other Charges (kWh)	40,000	\$0.0132	\$ 528.00	Other Charges (kWh)	40,000	\$0.0132	\$ 528.00		
	Cost of Power (kWh)	40,000	\$0.0550	\$ 2,200.00	Cost of Power (kWh)	40,000	\$0.0550	\$ 2,200.00			
Current 2004 Bill				\$ 3,592.10	Adjusted 2005 Bill				\$ 3,648.30	\$ 56.20	1.56%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
kW	500	Monthly Service Charge	N/A	N/A	\$ 72.20	Monthly Service Charge	N/A	N/A	\$ 67.44		
	kWh	Distribution (kW)	500	\$3.7700	\$ 1,885.00	Distribution (kW)	500	\$4.3796	\$ 2,189.82		
		Sub-Total		\$ 1,957.20	Sub Total		\$ 2,257.25	\$ 300.05	15.33%		
		Other Charges (kW)	500	\$4.1490	\$ 2,074.50	Other Charges (kW)	500.00	\$4.1490	\$ 2,074.50		
		Other Charges (kWh)	100,000	\$0.0132	\$ 1,320.00	Other Charges (kWh)	100,000	\$0.0132	\$ 1,320.00		
	Cost of Power (kWh)	100,000	\$0.0550	\$ 5,500.00	Cost of Power (kWh)	100,000	\$0.0550	\$ 5,500.00			
Current 2004 Bill				\$ 10,851.70	Adjusted 2005 Bill				\$ 11,151.75	\$ 300.05	2.77%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
kW	1,000	Monthly Service Charge	N/A	N/A	\$ 72.20	Monthly Service Charge	N/A	N/A	\$ 67.44		
	kWh	Distribution (kW)	1,000	\$3.7700	\$ 3,770.00	Distribution (kW)	1000	\$4.3796	\$ 4,379.64		
		Sub-Total		\$ 3,842.20	Sub Total		\$ 4,447.07	\$ 604.87	15.74%		
		Other Charges (kW)	1,000	\$4.1490	\$ 4,149.00	Other Charges (kW)	1,000.00	\$4.1490	\$ 4,149.00		
		Other Charges (kWh)	400,000	\$0.0132	\$ 5,280.00	Other Charges (kWh)	400,000	\$0.0132	\$ 5,280.00		
	Cost of Power (kWh)	400,000	\$0.0550	\$ 22,000.00	Cost of Power (kWh)	400,000	\$0.0550	\$ 22,000.00			
Current 2004 Bill				\$ 35,271.20	Adjusted 2005 Bill				\$ 35,876.07	\$ 604.87	1.71%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
kw										
3,000	Monthly Service Charge	N/A	N/A	\$ 72.20	Monthly Service Charge	N/A	N/A	\$ 67.44		
kWh	Distribution (kW)	3,000	\$3.7700	\$ 11,310.00	Distribution (kW)	3000	4.3796	\$ 13,138.91		
1,000,000			Sub-Total	\$ 11,382.20			Sub Total	\$ 13,206.34	\$ 1,824.14	16.03%
	Other Charges (kW)	3,000	4.1490	\$ 12,447.00	Other Charges (kW)	3,000.00	4.1490	\$ 12,447.00		
	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00		
	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00		
	Current 2004 Bill			\$ 92,029.20	Adjusted 2005 Bill			\$ 93,853.34	\$ 1,824.14	1.98%

>500 to 4,999 kW

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$4.2138/kW, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
 Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
 You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

	CURRENT 2004 BILL				FUTURE 2005 BILL					
ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
kw										
3,000	Monthly Service Charge	N/A	N/A	\$ 1,229.21	Monthly Service Charge	N/A	N/A	\$ 1,139.50		
kWh	Distribution (kW)	3,000	\$1.4100	\$ 4,230.00	Distribution (kW)	3000	\$1.52	\$ 4,550.11		
800,000			Sub-Total	\$ 5,459.21			Sub Total	\$ 5,689.61	\$ 230.40	4.22%
	Other Charges (kW)	3,000	4.0353	\$ 12,105.90	Other Charges (kWh)	3,000.00	4.0353	\$ 12,105.90		
	Other Charges (kWh)	800,000	0.0132	\$ 10,560.00	Other Charges (kWh)	800,000	0.0132	\$ 10,560.00		
	Cost of Power (kWh)	800,000	0.0550	\$ 44,000.00	Cost of Power (kWh)	800,000	0.0550	\$ 44,000.00		
	Current 2004 Bill			\$ 72,125.11	Adjusted 2005 Bill			\$ 72,355.51	\$ 230.40	0.319%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
kw										
3,000	Monthly Service Charge	N/A	N/A	\$ -	Monthly Service Charge	N/A	N/A	\$ 1,139.50		
kWh	Distribution (kW)	3,000	\$0.0000	\$ -	Distribution (kW)	3000	\$1.52	\$ 4,550.11		
1,000,000			Sub-Total	\$ -			Sub Total	\$ 5,689.61	\$ 5,689.61	#DIV/0!
	Other Charges (kW)	3,000	4.0353	\$ 12,105.90	Other Charges (kWh)	3,000.00	4.0353	\$ 12,105.90		
	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00		
	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00		
	Current 2004 Bill			\$ 80,305.90	Adjusted 2005 Bill			\$ 85,995.51	\$ 5,689.61	7.085%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
kw										
4,000	Monthly Service Charge	N/A	N/A	\$ -	Monthly Service Charge	N/A	N/A	\$ 1,139.50		
kWh	Distribution (kW)	4,000	\$0.0000	\$ -	Distribution (kW)	4000	\$1.52	\$ 6,066.81		
1,200,000			Sub-Total	\$ -			Sub Total	\$ 7,206.31	\$ 7,206.31	#DIV/0!
	Other Charges (kW)	4,000	4.0353	\$ 16,141.20	Other Charges (kWh)	4,000.00	4.0353	\$ 16,141.20		
	Other Charges (kWh)	1,200,000	0.0132	\$ 15,840.00	Other Charges (kWh)	1,200,000	0.0132	\$ 15,840.00		
	Cost of Power (kWh)	1,200,000	0.0550	\$ 66,000.00	Cost of Power (kWh)	1,200,000	0.0550	\$ 66,000.00		
	Current 2004 Bill			\$ 97,981.20	Adjusted 2005 Bill			\$ 105,187.51	\$ 7,206.31	7.35%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
kW 4,000	Monthly Service Charge	N/A	N/A	\$ -	Monthly Service Charge	N/A	N/A	\$ 1,139.50		
	Distribution (kW)	4,000	\$0.0000	\$ -	Distribution (kW)	4000	\$1.52	\$ 6,066.81		
			Sub-Total	\$ -			Sub Total	\$ 7,206.31	\$ 7,206.31	#DIV/0!
	Other Charges (kW)	4,000	4.0353	\$ 16,141.20	Other Charges (kWh)	4,000.00	4.0353	\$ 16,141.20		
	Other Charges (kWh)	1,800,000	0.0132	\$ 23,760.00	Other Charges (kWh)	1,800,000	0.0132	\$ 23,760.00		
kWh 1,800,000	Cost of Power (kWh)	1,800,000	0.0550	\$ 99,000.00	Cost of Power (kWh)	1,800,000	0.0550	\$ 99,000.00		
	Current 2004 Bill			\$ 138,901.20	Adjusted 2005 Bill			\$ 146,107.51	\$ 7,206.31	5.188%

LARGE USE CLASS (> 5000 KW)

For the purpose of this estimate, Other Charges include Retail Transmission Rate of \$0.047369/kWh, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
 Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
 You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL						
ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
kW											
6,000	Monthly Service Charge	N/A	N/A	\$ 13,019.52	Monthly Service Charge	N/A	N/A	\$ 12,054.91			
kWh	Distribution (kW)	6,000	\$2.4800	\$ 14,880.00	Distribution (kW)	6000	\$2.54	\$ 15,245.68			
2,800,000			Sub-Total	\$ 27,899.52			Sub Total	\$ 27,300.58	\$ (598.94)	-2.15%	
	Other Charges (kW)	6,000	4.3077	\$ 25,846.20	Other Charges (kWh)	6,000.00	4.3077	\$ 25,846.20			
	Other Charges (kWh)	2,800,000	0.0132	\$ 36,960.00	Other Charges (kWh)	2,800,000	0.0132	\$ 36,960.00			
	Cost of Power (kWh)	2,800,000	0.0550	\$ 154,000.00	Cost of Power (kWh)	2,800,000	0.0550	\$ 154,000.00			
Current 2004 Bill				\$ 244,705.72	Adjusted 2005 Bill				\$ 244,106.78	\$ (598.94)	-0.24%

ENTER DESIRED CONSUMPTION LEVEL		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)		kW/ kWh	RATE \$/kW or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
kW 15,000	Monthly Service Charge	N/A	N/A	\$ 13,019.52	Monthly Service Charge	N/A	N/A	\$ 12,054.91		
	Distribution (kW)	15,000	\$2.4800	\$ 37,200.00	Distribution (kW)	15000	\$2.54	\$ 38,114.19		
			Sub-Total	\$ 50,219.52			Sub Total	\$ 50,169.10	\$ (50.42)	-0.10%
	Other Charges (kW)	15,000	4.3077	\$ 64,615.50	Other Charges (kWh)	15,000.00	4.3077	\$ 64,615.50		
	Other Charges (kWh)	10,000,000	0.0132	\$ 132,000.00	Other Charges (kWh)	10,000,000	0.0132	\$ 132,000.00		
kWh 10,000,000	Cost of Power (kWh)	10,000,000	0.0550	\$ 550,000.00	Cost of Power (kWh)	10,000,000	0.0550	\$ 550,000.00		
	Current 2004 Bill			\$ 796,835.02	Adjusted 2005 Bill			\$ 796,784.60	\$ (50.42)	-0.01%

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Tab 5 – Schedule 4

PILs Recoveries – Amounts Billed to Customers

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Tab 5 – Schedule 5.1

Financial Statements - 2001

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Enersource Hydro Mississauga Inc.

Balance Sheet

(In thousands of dollars)

December 31, 2001, with comparative figures for 2000

	Dec-31-2001	Dec-31-2000
ASSETS		
Current Assets:		
Cash and Cash equivalents	\$ 26,551	\$ 14,152
Accounts Receivable	33,491	29,799
Unbilled Revenue	41,500	38,725
Amounts due from related parties, without interest	635	-
Recoverable Payments In Lieu of Income Taxes	1,094	-
Inventory	4,326	4,997
Prepays and Deposits	1,361	687
	108,958	88,360
Capital Assets	398,334	400,639
Other Assets:		
Cash and Cash Equivalents, Held For Consumer	19,619	14,341
Deferred Debt Issue Costs, net of amortization	4,051	-
Regulatory Assets	8,942	135
	32,612	14,476
	\$ 539,904	\$ 503,475
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 60,449	\$ 54,658
Deferred Revenue	1,818	-
Advance Payments - subdivisions	4,101	3,179
	66,368	57,837
Long-term Liabilities:		
Bond and Notes Payable	290,000	269,214
Consumer Deposits	19,619	14,341
Employee Retirement and Post-Retirement Benefits	1,786	1,704
	311,405	285,259
Shareholders' Equity		
Capital Stock	155,629	155,629
Retained Earnings	6,502	4,750
	162,131	160,379
	\$ 539,904	\$ 503,475

Enersource Hydro Mississauga Inc.
Statement of Income and Retained Earnings
 (in thousands of dollars)

Three months ended December 31, 2001	Three months ended 31-Dec 2001
Revenue:	
Energy Sales	\$ 142,594
Services	2,550
Other	914
	<u>146,058</u>
Operating Expenses:	
Energy Purchases	137,976
Operations, maintenance and administration	7,201
Services	1,854
Amortization of capital assets	7,061
	<u>154,092</u>
Operating Income	(8,034)
Interest:	
Income	511
Expense	(4,454)
	<u>(3,943)</u>
Income Tax	(266)
Net Income (Loss) for the period	\$ (12,243)
Retained earnings	
Balance, beginning of period	\$ 174,373
Net Income (Loss) for the period	(12,243)
Balance, end of period	<u>\$ 162,130</u>

Tab 5 – Schedule 5.2

Financial Statements - 2002

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Financial Statements of

**ENERSOURCE HYDRO
MISSISSAUGA INC.**

Year ended December 31, 2002



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
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Toronto ON M2P 2H3

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www.kpmg.ca

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Enersource Hydro Mississauga Inc. as at December 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Accountants

Toronto, Canada

March 7, 2003

ENERSOURCE HYDRO MISSISSAUGA INC.

Balance Sheet
 (In thousands of dollars)

December 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	\$ —	\$ 26,551
Accounts receivable	55,272	33,491
Unbilled revenue	66,464	41,500
Amounts due from related parties, without interest (note 12)	10,026	635
Recoverable payments in lieu of income taxes	—	1,094
Inventory	4,152	4,326
Prepays and deposits	114	1,361
	136,028	108,958
Capital assets (note 3)	398,536	398,334
Other assets:		
Cash and cash equivalents held for consumer deposits	23,134	19,619
Deferred debt issue costs, net of amortization of \$727 (2001 - \$289)	3,613	4,051
Regulatory assets (note 4)	26,183	8,942
	52,930	32,612
	\$ 587,494	\$ 539,904
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank overdraft	\$ 8,062	\$ —
Accounts payable and accrued liabilities	74,557	60,449
Amounts in lieu of corporate income taxes payable	254	—
Deferred revenue	—	1,818
Advance payments - subdividers	4,350	4,101
Due to related parties, without interest	7,262	—
	94,485	66,368
Long-term liabilities:		
Bonds payable (note 5)	290,000	290,000
Consumer deposits	23,134	19,619
Employee retirement and post-retirement benefits (note 8)	1,877	1,786
	315,011	311,405
Shareholder's equity:		
Capital stock (note 6)	155,629	155,629
Retained earnings	22,369	6,502
	177,998	162,131
Contingencies (note 9)		
Commitments (note 10)		
	\$ 587,494	\$ 539,904

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

ENERSOURCE HYDRO MISSISSAUGA INC.

Statement of Income and Retained Earnings (In thousands of dollars)

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Energy sales	\$ 650,921	\$ 552,824
Services	7,895	6,212
Other	2,599	5,737
	661,415	564,773
Operating expenses:		
Energy purchases	566,333	495,214
Operations, maintenance and administration	26,803	21,353
Services	7,057	4,293
Amortization of capital assets	25,825	26,386
	626,018	547,246
Operating income	35,397	17,527
Interest:		
Income	724	1,786
Expense	(18,459)	(17,295)
	(17,735)	(15,509)
Income before amounts in lieu of income taxes	17,662	2,018
Amounts in lieu of income taxes (note 2)	1,795	266
Net income	15,867	1,752
Retained earnings, beginning of year	6,502	4,750
Retained earnings, end of year	\$ 22,369	\$ 6,502

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Statement of Cash Flows (In thousands of dollars)

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Net income	\$ 15,867	\$ 1,752
Items not affecting cash:		
Amortization of debt issue costs	438	289
Amortization of capital assets	25,825	26,386
Gain on disposal of capital assets	(61)	(25)
Employee retirement and post-retirement benefits	91	82
	42,160	28,484
Change in non-cash operating working capital (note 7)	(33,566)	332
Cash provided by operating activities	8,594	28,816
Financing activities:		
Proceeds on issuance of bonds, net of issuance costs	—	285,660
Consumer deposits	3,515	5,278
Repayment of note payable	—	(269,214)
Cash provided by financing activities	3,515	21,724
Investing activities:		
Cash and cash equivalents held for consumer deposits	(3,515)	(5,278)
Additions to capital assets	(27,571)	(25,920)
Proceeds on disposal of capital assets	1,605	846
Additions to regulatory assets	(17,241)	(7,789)
Cash used in investing activities	(46,722)	(38,141)
Increase (decrease) in cash and cash equivalents	(34,613)	12,399
Cash and cash equivalents, beginning of year	26,551	14,152
Cash and cash equivalents, end of year	\$ (8,062)	\$ 26,551
Supplemental cash flow information:		
Interest received	\$ 724	\$ 1,772
Interest paid	18,241	15,040
Instalments paid in respect of amounts in lieu of income taxes	3,050	1,830

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements
(In thousands of dollars)

Year ended December 31, 2002

Enersource Hydro Mississauga Inc. (the "Corporation") is the electric distribution utility for residents of the City of Mississauga (the "City").

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

(b) Rate setting:

The Corporation is regulated by the Ontario Energy Board ("OEB") under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

In order to achieve a proper matching of revenue and expenses, in addition to the timing of recognition of certain revenue and expenses for the distribution of electricity, accounting methods may differ from those otherwise expected under generally accepted accounting principles for non-regulated businesses. Specifically:

- (i) Capital and operating costs incurred in respect of the transition to competitive markets have been deferred with amortization to commence on the date that a rate increase is implemented to offset the amortization of the transition costs.
- (ii) An amount to represent the cost of funds used during construction and development has been applied based on the value of construction in progress.
- (iii) The Corporation provides for amounts in lieu of corporate income taxes using the taxes payable method.
- (iv) The Corporation has deferred certain pre-market opening cost of power variances and post-market opening retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2002

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days, less bank overdraft.

(d) Revenue recognition:

Revenue is recognized on the accrual basis and includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of actual electricity usage.

Services and other revenues are recognized as services are rendered or contract milestones are achieved.

(e) Measurement uncertainty:

The preparation of the Corporation's financial statements, in accordance with generally accepted accounting principles, requires management to make estimates that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered and an appropriate allowance for unrecoverable amounts. Inventories are recorded net of provisions for obsolescence. Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions of the OEB or the Minister of Energy.

(f) Inventory:

Inventory, which consists of parts and supplies acquired for internal construction or consumption, is valued at the lower of cost and replacement cost. Cost is determined on a weighted moving average basis.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

1. Significant accounting policies (continued):

(g) Capital assets:

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction when applied. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions, whether in cash or in-kind, be offset against the related asset cost. Contributions in-kind are valued at their fair market value at the date of their contribution.

When identifiable assets, such as buildings, distribution station equipment and equipment and furniture are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets, such as transmission and distribution facilities, is removed from the accounts at the end of their estimated service life.

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	Estimated service life (years)	
	Range	Average
Buildings	30 - 60	55
Distribution station equipment	15 - 35	28
Transmission and distribution system	25 - 40	26
Equipment and furniture	4 - 10	8
Computer software	2	2

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

An allowance for the cost of funds used during the construction period has been applied. The rate applied for the current fiscal period is equal to the rate allowed by the OEB in respect of long-term borrowings, being 6.9% (2001 - 6.9%).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2002

1. Significant accounting policies (continued):

(h) Deferred debt issue costs:

Deferred debt issue costs represent the cost of the issuance of the bonds. Amortization is provided on a straight-line basis over the term of the related bonds.

(i) Consumer deposits:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits and invested in term deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest is paid on customer balances at prime rate less 1.9%.

(j) Pension and other post-employment benefits:

The Corporation accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ended at the earliest age the employee could retire and qualify for benefits.

(k) Regulatory assets:

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in rates. Regulatory assets are comprised principally as follows:

Transition costs - represent costs related to the transition to a competitive electricity market, mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs, to qualify amounts for deferral and amortization against future revenue. To the extent that transition costs have been incurred that do not qualify for deferral, these costs have been expensed during the period they were incurred.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2002

1. Significant accounting policies (continued):

Pre-market opening cost of power variances - represents amounts accumulated as a result of the excess of the cost of power purchased by the Corporation over the amount billed for this power prior to the market opening. The OEB directed utilities to accumulate such variances in the period leading up to market opening.

Post-market opening retail settlement variances - are variances that have occurred since May 1, 2002 when the competitive electricity market was declared open and that have accumulated pursuant to direction from the OEB. Specifically, these amounts include:

- (i) variances between the amount charged by the Independent Market Operator ("IMO") for the operation of the markets and grid, as well as various wholesale market settlement charges, transmission charges as compared to the amount billed to consumers based on the OEB approved wholesale market service rate; and
- (ii) variances between the amounts charged by the IMO to allow for purchases of imported power as compared to the amounts billed to consumers based on the OEB approved rates.

On December 9, 2002, the Province enacted the Electricity Pricing, Conservation and Supply Act, 2002 ("Bill 210"), which amended the Electricity Act, 1998 and other statutes for the purpose of implementing the Electricity Action Plan announced by the Premier of Ontario on November 11, 2002. The more significant provisions of Bill 210 are as follows:

- (i) Energy prices for low volume and designated consumers (as defined in Bill 210) are fixed at 4.3 cents per kWh;
- (ii) Distribution rates are capped until at least April 30, 2006;
- (iii) Effective December 1, 2002, the price paid by distributors to the IMO for wholesale market charges other than energy is largely fixed at the same price distributors are permitted to charge their customers; and
- (iv) Bill 210 provides for the establishment or continuation of deferral accounts for certain amounts until disposition is addressed by the OEB. Specifically, these accounts include retail settlement variance accounts and transition costs.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2002

1. Significant accounting policies (continued):

As a result, the Corporation will not be able to implement the final rate increase to be able to achieve a 9.88% return on equity, nor will it be able to apply for recovery of transition costs expected to commence from 2003 rates. Bill 210 directed utilities to continue deferral of transition and energy variance accounts until their review by the OEB. In a January 23, 2003 letter to electricity distributors, the Minister of Energy indicated that he will ask the OEB to complete, before the end of 2003, a review to confirm the costs to be recovered, with recovery to commence no later than 2006.

The Corporation believes that it is probable the regulatory assets will be recovered through future rates. However, uncertainty as to full recovery is greater than before enactment of Bill 210. The likelihood of recovery of regulatory assets will be assessed on a regular basis. In the event that recovery from future rates is no longer considered probable or portions of those amounts deferred are determined not to be recoverable, such amounts will be expensed in the period this determination is made.

(l) Corporate income and capital taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Corporation provides for amounts in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

2. Amounts in lieu of corporate income taxes:

Future income taxes have not been recorded in the accounts as they are expected to be recovered through future revenue. Based on substantively enacted income tax rates the potential benefit of unrecorded future income tax assets arising substantially from differences between accounting and tax values for capital assets is \$33,220 (2001 - \$34,627). These benefits have not been recorded in the accounts as there is uncertainty as to whether the Corporation will be able to retain these benefits. The Corporation was not subject to amounts in lieu of corporate income taxes prior to October 2001.

During the year ended December 31, 2002, the Corporation applied \$11,728, representing the entire amount available of its non-capital loss carryforwards to reduce payments in lieu of taxes otherwise payable.

3. Capital assets:

			2002	2001
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,921	\$ —	\$ 3,921	\$ 3,921
Buildings	12,844	3,723	9,121	9,360
Distribution station equipment	68,256	27,402	40,854	39,628
Transmission and distribution system	517,545	196,832	320,713	325,804
Equipment and furniture	19,841	11,448	8,393	9,004
Computer software	2,993	1,613	1,380	1,374
Construction in progress:				
Electric distribution system	11,731	—	11,731	8,436
Transition costs	—	—	—	807
Computer software	2,423	—	2,423	—
	\$ 639,554	\$ 241,018	\$ 398,536	\$ 398,334

During the year, \$772 (2001 - \$752), representing an allowance for the cost of funds used during construction, was capitalized to construction in progress.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

4. Regulatory assets:

Regulatory assets can arise as a result of the rate-making process:

	2002	2001
Deferred transition costs	\$ 11,324	\$ 7,924
Pre-market opening cost of power variances	9,553	1,018
Post-market opening retail settlement variances	5,306	—
	<u>\$ 26,183</u>	<u>\$ 8,942</u>

The Corporation has recorded a reserve for the deferred transition costs in the amount of \$2,450. The Corporation has not accrued interest on the deferral accounts for pre-market opening cost of power variances and post-market opening retail settlement variances.

5. Bonds payable:

	2002	2001
6.29% BPC-Enersource Series Bonds, Tranche 1, due May 3, 2011	\$ 290,000	\$ 290,000

Interest expense includes \$18,241 (2001 - \$17,453) in respect of interest on long-term liabilities and amortization of debt issue costs in the amount of \$438 (2001 - \$289).

6. Capital stock:

(a) Background:

Mississauga City Council approved a by-law, effective January 1, 2000, effecting the transfer of the electricity distribution business formerly conducted by the Mississauga Hydro-Electric Commission to the Corporation. The City received consideration in the form of a note receivable for \$150,000 and common shares in exchange, at the time of the transfer. On December 6, 2001, the City received further consideration in the form of a note receivable for \$119,214 and a dividend of \$20,785 when it exchanged shares issued on January 1, 2000 for shares of Enersource Corporation, the Corporation's parent. The transfers were recorded at net book value.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

6. Capital stock (continued):

(b) Capital stock:

Authorized and issued capital stock at December 31 is as follows:

	2002	2001
Authorized:		
Unlimited common shares		
Issued:		
40 common shares	\$ 155,629	\$ 155,629

7. Change in non-cash operating working capital:

	2002	2001
Accounts receivable	\$ (21,781)	\$ (3,692)
Unbilled revenue	(24,964)	(2,775)
Amounts due to/from related parties	(2,129)	(635)
Recoverable payments in lieu of income taxes	1,094	(1,094)
Inventory	174	671
Prepays and deposits	1,247	(674)
Accounts payable and accrued liabilities	14,108	5,791
Amounts in lieu of corporate income taxes payable	254	—
Deferred revenue	(1,818)	1,818
Advance payments - subdividers	249	922
	\$ (33,566)	\$ 332

8. Employee retirement and post-retirement benefits:

(a) Pensions:

A contribution holiday has been in effect for OMERS members since August 31, 1998. Accordingly, no contributions were required during the 2002 and 2001 fiscal years. Contributions resumed effective the first full pay period of 2003.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

8. Employee retirement and post-retirement benefits (continued):

(b) Other retirement and post-retirement benefits:

	2002	2001
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 1,786	\$ 1,704
Service cost	29	28
Interest cost	123	118
Benefits paid	(61)	(64)
Benefit obligation, end of year	\$ 1,877	\$ 1,786
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ —	\$ —
Employer's contributions	61	64
Benefits paid	(61)	(64)
Fair value of plan assets, end of year	\$ —	\$ —
Discount rate	7.0%	7.0%
Expected return on plan assets	7.0%	7.0%
Rate of compensation increase	3.5%	3.5%

The principal funding obligation of the plan is to fund life insurance benefits based on employment date and years of service. A small group of former employees who elected to retire under a special early retirement incentive plan are entitled to a continuation of health and dental premiums until age 65. Accordingly, based on the current participation profile, changes in health and dental care costs will not significantly impact the estimates of plan obligations. The total estimated plan obligation at December 31, 2002 is \$1,877 (2001 - \$1,786). There is no unamortized past service component. The next actuarial valuation will be completed for the 2003 fiscal year end.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2002

9. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Effective January 1, 2001, coverage is provided to a level of \$30,000 per incident.

The Corporation has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

(b) Other claims:

A class action claiming \$500,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class, consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association is undertaking the defence of this class action. At this time, it is not possible to quantify the effect, if any, on these financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

10. Commitments:

(a) Guarantees:

Purchasers of electricity in Ontario, through the IMO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The market could draw on these guarantees if the Corporation failed to make payment required by a default notice issued by the IMO. The Corporation's parent company has guaranteed the obligations of the Corporation in the amount of \$28,115 (2001 - nil).

(b) Commitments:

The Corporation leases equipment under operating lease agreements. Minimum lease payments due in future fiscal periods under these agreements are as set out below:

2003	\$ 57
2004	35
2005	13
2006	3

11. Financial instruments:

The carrying values of accounts receivable, cash and cash equivalents held for consumer deposits, bank overdraft, accounts payable and accrued liabilities and advance payments - subdividers, approximate fair values because of the short maturity of these instruments.

The bonds payable, having a carrying value of \$290,000 (2001 - \$290,000), have a fair value of \$305,486 (2001 - \$293,335) based on year-end quoted market prices for similar debt.

Financial assets held by the Corporation expose it to credit risk. As at December 31, 2002, there were no significant concentrations of credit risk with respect to any class of financial assets.

The Corporation earns its revenue from a broad base of customers located principally in Mississauga. No single customer would account for revenue or an accounts receivable balance in excess of 10% of the respective reported balances.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2002

12. Related party transactions:

The Corporation provides electricity and services to the principal shareholder of its parent company, the City. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlighting maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost. A summary of amounts charged by the Corporation to the City is as follows:

	2002	2001
Electrical energy	\$ 8,291	\$ 7,388
Streetlighting maintenance	1,879	1,826
Streetlighting energy	2,653	2,408

The Corporation charged the City \$3,357 (2001 - \$1,994) for other construction services in 2002.

Interest expense includes interest of nil (2001 - \$628) on the note payable to the City.

At December 31, 2002, accounts payable and accrued liabilities include \$109 (2001 - \$80) due to the City and accounts receivable includes \$2,288 (2001 - \$1,110) due from the City.

Amounts due from related parties include \$691 (2001 - \$616) from a company under common control and \$9,335 (2001 - \$19) from the parent company.

Amounts due to related parties include \$11 (2001 - nil) to a company under common control and \$7,251 to the parent company (2001 - nil).

13. Energy purchases:

As a participant in the competitive electricity market, effective May 1, 2002, all electricity purchases for standard supply customers are subject to pricing determined by the IMO, a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2002 is \$45,227 owed in respect of electricity purchases through the IMO. Prior to the opening of the competitive electricity market, all electricity purchases were made from Ontario Power Generation and at December 31, 2001, \$49,756 was included in accounts payable and accrued liabilities.

Tab 5 – Schedule 5.3

Financial Statements - 2003

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Financial Statements of

**ENERSOURCE HYDRO
MISSISSAUGA INC.**

Year ended December 31, 2003



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
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Toronto ON M2P 2H3

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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Enersource Hydro Mississauga Inc. as at December 31, 2003 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants

Toronto, Canada

February 27, 2004

ENERSOURCE HYDRO MISSISSAUGA INC.

Balance Sheet
 (In thousands of dollars)

December 31, 2003, with comparative figures for 2002

	2003	2002 (Restated - note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,707	\$ —
Accounts receivable	40,062	51,895
Unbilled revenue	46,406	66,464
Amounts due from related parties, without interest (note 13)	505	12,255
Inventory	4,684	4,152
Prepaid expenses and deposits	204	114
	144,568	134,880
Capital assets (note 4)	395,815	398,536
Other assets:		
Cash and cash equivalents held for consumer deposits	25,451	23,134
Deferred debt issue costs, net of amortization of \$1,156 (2002 - \$722)	3,180	3,613
Regulatory assets (note 5)	21,384	26,183
	50,015	52,930
	\$ 590,398	\$ 586,346

Liabilities and Shareholder's Equity

Current liabilities:		
Bank overdraft	\$ —	\$ 8,062
Accounts payable and accrued liabilities	68,033	74,475
Amounts in lieu of corporate income taxes payable	5,524	254
Advance payments - subdividers	3,395	4,135
Due to related parties, without interest (note 13)	2,900	7,251
Retail settlement variances (note 5)	5,993	—
	85,845	94,177
Long-term liabilities:		
Bonds payable (note 6)	290,000	290,000
Consumer deposits	25,451	23,134
Employee retirement and post-retirement benefits (note 9)	1,971	1,877
	317,422	315,011
Shareholder's equity:		
Capital stock (note 7)	155,629	155,629
Retained earnings	31,502	21,529
	187,131	177,158
Contingencies (note 10)		
Commitments (note 11)		
	\$ 590,398	\$ 586,346

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

ENERSOURCE HYDRO MISSISSAUGA INC.

Statement of Income and Retained Earnings (In thousands of dollars)

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002 (Restated - note 2)
Revenue:		
Energy sales	\$ 625,445	\$ 650,921
Other	2,509	2,597
	627,954	653,518
Operating expenses:		
Energy purchases	536,958	566,333
Operations, maintenance and administration	30,021	26,803
Amortization of capital assets	27,533	25,825
	594,512	618,961
Operating income	33,442	34,557
Interest:		
Income	1,938	724
Expense	(18,405)	(18,459)
	(16,467)	(17,735)
Income before amounts in lieu of income taxes	16,975	16,822
Amounts in lieu of income taxes (note 3)	7,002	1,795
Net income	9,973	15,027
Retained earnings, beginning of year	21,529	6,502
Retained earnings, end of year	\$ 31,502	\$ 21,529

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Statement of Cash Flows (In thousands of dollars)

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002 (Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Net income	\$ 9,973	\$ 15,027
Items not affecting cash:		
Amortization of debt issue costs	434	434
Amortization of capital assets	27,533	25,825
Loss (gain) on disposal of capital assets	3	(61)
Employee retirement and post-retirement benefits	94	91
	38,037	41,316
Change in non-cash operating working capital (note 8)	42,748	(32,726)
Cash provided by operating activities	80,785	8,590
Financing activities:		
Consumer deposits	2,317	3,515
Investing activities:		
Cash and cash equivalents held for consumer deposits	(2,317)	(3,515)
Additions to capital assets	(24,831)	(27,571)
Proceeds on disposal of capital assets	16	1,605
Other deferred costs	—	4
Regulatory assets	4,799	(17,241)
Cash used in investing activities	(22,333)	(46,718)
Increase (decrease) in cash and cash equivalents	60,769	(34,613)
Cash and cash equivalents (bank overdraft), beginning of year	(8,062)	26,551
Cash and cash equivalents (bank overdraft), end of year	\$ 52,707	\$ (8,062)
Supplemental cash flow information:		
Interest received	\$ 1,921	\$ 724
Interest paid	18,241	18,241
Instalments paid in respect of amounts in lieu of income taxes	6,539	3,050

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements
(In thousands of dollars)

Year ended December 31, 2003

Enersource Hydro Mississauga Inc. (the "Corporation") is the electric distribution utility for residents of the City of Mississauga (the "City").

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with generally accepted accounting principles.

(b) Rate setting:

The Corporation is regulated by the Ontario Energy Board ("OEB") under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in the change in the timing of accounting recognition from that which would have applied in an unregulated company. Specifically, the following accounting treatments have been applied:

- (i) Capital and operating costs incurred in respect of the transition to competitive markets have been deferred with amortization to commence at a date that a rate increase is implemented to offset the amortization of the transition costs. In November 2003, the Province of Ontario introduced the Ontario Energy Board Amendment Act (Electricity Pricing) 2003 (the "2003 Act"). The 2003 Act will impact both the distribution and energy rates charged to customers and includes a provision for the recovery of regulatory assets (note 1(k)).
- (ii) An amount to represent the cost of funds used during construction and development has been applied based on the value of construction in progress.
- (iii) The Corporation provides for amounts in lieu of corporate income taxes using the taxes payable method for its regulated business activities.
- (iv) The Corporation has deferred certain pre-market opening cost of power variances and post-market opening retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2003

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days, less bank overdraft.

(d) Revenue recognition:

Revenue is recognized on the accrual basis and includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of actual electricity usage.

Services and other revenue are recognized as services are rendered or contract milestones are achieved.

(e) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered and an appropriate allowance for unrecoverable amounts. Inventories are recorded net of provisions for obsolescence.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy. Amounts recorded for amortization of capital assets are based on estimates of useful service life.

(f) Inventory:

Inventory, which consists of parts and supplies acquired for internal construction or consumption, is valued at the lower of cost and replacement cost. Cost is determined on a weighted moving average basis.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

1. Significant accounting policies (continued):

(g) Capital assets:

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction when applied. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions, whether in cash or in-kind, be offset against the related asset cost. Contributions in-kind are valued at their fair market value at the date of their contribution.

When identifiable assets, such as buildings, distribution station equipment and equipment and furniture are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets, such as transmission and distribution facilities, is removed from the accounts at the end of their estimated service life.

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	Estimated service life (years)	
	Range	Average
Buildings	30 - 60	55
Distribution station equipment	15 - 35	28
Transmission and distribution system	25 - 40	26
Equipment and furniture	4 - 10	8
Computer software	2	2

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

An allowance for the cost of funds used during the construction period has been applied. The rate applied for the current fiscal period is equal to the rate allowed by the OEB in respect of long-term borrowings, being 6.9% (2002 - 6.9%).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2003

1. Significant accounting policies (continued):

(h) Deferred debt issue costs:

Deferred debt issue costs represent the cost of the issuance of the bonds. Amortization is provided on a straight-line basis over the term of the related bonds.

(i) Consumer deposits:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits and invested in term deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest is paid on customer balances at prime rate less 1.9%.

(j) Pension and other post-employment benefits:

The Corporation accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ended at the earliest age the employee could retire and qualify for benefits.

(k) Regulatory assets:

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power regulated by the utility. The OEB directs the distribution utilities to defer these variances for future true-up with the Independent Market Operator ("IMO").

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2003

1. Significant accounting policies (continued):

Regulatory balances are comprised principally as follows:

Transition costs - represent costs related to the transition to a competitive electricity market, mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs, to qualify amounts for deferral and amortization against future revenue. To the extent that transition costs have been incurred that do not qualify for deferral, these costs have been expensed during the period in which they were incurred.

Pre-market opening cost of power variances - represents amounts accumulated as a result of the excess of the cost of power purchased by the Corporation over the amount billed for this power prior to the market opening. The OEB directed utilities to accumulate such variances in the period leading up to market opening.

Post-market opening retail settlement variances - are variances that have occurred since May 1, 2002 when the competitive electricity market was declared open and that have accumulated pursuant to direction from the OEB. Specifically, these amounts include variances between the amount charged by the IMO for the operation of the markets and grid, as well as various wholesale market settlement charges, transmission charges as compared to the amount billed to consumers based on the OEB-approved wholesale market service rate.

In November 2003, the Province of Ontario introduced the 2003 Act which implemented a new electricity pricing regime believed to better reflect the true cost of electricity.

The 2003 Act, which received Royal Assent in December 2003, removes the 4.3¢ per kwh electricity price freeze established under the Electricity Pricing, Conservation and Supply Act, 2002 and gives the OEB the power to establish the electricity commodity price for low volume consumers and designated consumers who do not choose an electricity retailer. The OEB's new pricing regime is to take effect no later than May 2005. In the meantime and beginning on April 1, 2004, the government has implemented an interim pricing plan under which the first 750 kwh consumed in any month by low-volume and designated consumers is priced at 4.7¢ per kwh and consumption above that level for these consumers is priced at a higher rate of 5.5¢ per kwh. In the event that these interim prices exceed the costs paid by the Ontario Electricity Financial Corporation ("OEFC"), the 2003 Act includes provisions permitting the making of regulations requiring distributors, retailers or the IMO to credit consumers for the difference. Under the 2003 Act, regulations may also be made to compensate distributors, retailers and the IMO for making any such payments.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2003

1. Significant accounting policies (continued):

In November 2003, the Province of Ontario announced its intention to allow electricity distributors to recover deferred transition costs and energy variances over a four-year period commencing April 1, 2004. In January 2004, in compliance with regulatory direction, the Corporation submitted to the OEB an application to recover 25% of the December 31, 2002 balance of these regulatory assets.

The Corporation expects to implement the final rate increase to achieve a 9.88% rate of return in 2005 with re-investment of the incremental revenues in electricity conservation strategies until the year 2006.

Management continues to believe that it is probable the regulatory assets will be fully recovered. In the event that recovery from future rates is no longer considered probable or portions of those amounts deferred are determined not to be recoverable, such amounts will be expensed in the period this determination is made.

(l) Corporate income and capital taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Corporation provides for amounts in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

2. Restatement:

The financial statements for the fiscal year ended December 31, 2002 have been restated to reflect the transfer of the net assets and operations of Enersource Technologies operations to a non-regulated affiliated corporation. The net effects on the comparative figures are to reduce previously reported amounts as follows:

Assets	\$ 1,148
Liabilities	307
Total net assets	\$ 841
Revenue	\$ 7,897
Expenses	7,056
Net income	\$ 841

This transfer occurred on January 1, 2003 and has been accounted for at the net book value of the assets and liabilities transferred at that date.

3. Amounts in lieu of corporate income taxes:

Future income taxes have not been recorded in the accounts as they are expected to be recovered through future revenue. Based on substantively enacted income tax rates, the potential benefit of unrecorded future income tax assets arising substantially from differences between accounting and tax values for capital assets is \$37,415 (2002 - \$33,220). These benefits have not been recorded in the accounts as there is uncertainty as to whether the Corporation will be able to retain these benefits. The Corporation was not subject to amounts in lieu of corporate income taxes prior to October 2001.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

4. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,921	\$ —	\$ 3,921	\$ 3,921
Buildings	12,844	3,962	8,882	9,121
Distribution station equipment	71,533	29,099	42,434	40,854
Transmission and distribution system	532,798	214,968	317,830	320,713
Equipment and furniture	19,967	12,444	7,523	8,393
Computer software	5,578	2,019	3,559	1,380
Construction in progress:				
Electric distribution system	11,666	—	11,666	11,731
Computer software	—	—	—	2,423
	\$ 658,307	\$ 262,492	\$ 395,815	\$ 398,536

During the year, \$915 (2002 - \$772), representing an allowance for the cost of funds used during construction, was capitalized to construction in progress.

5. Regulatory assets (liabilities):

Regulatory assets (liabilities) can arise as a result of the rate-making process:

	2003	2002
Regulatory assets:		
Deferred transition costs	\$ 11,247	\$ 11,324
Pre-market opening cost of power variances	9,871	9,553
Post-market opening retail settlement variances	—	5,306
Miscellaneous deferred debits	266	—
	\$ 21,384	\$ 26,183
Regulatory liabilities:		
Post-market opening retail settlement variances	\$ 5,993	\$ —

The Corporation has recorded a reserve for the deferred transition costs in the amount of \$2,502 (2002 - \$2,450). The Corporation has not accrued interest on the deferral accounts for pre-market opening cost of power variances and post-market opening retail settlement variances.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

6. Bonds payable:

	2003	2002
6.29% BPC-Enersource Series Bonds, Tranche 1, due May 3, 2011	\$ 290,000	\$ 290,000

Interest expense includes \$18,241 (2002 - \$18,241) in respect of interest on long-term liabilities and amortization of debt issue costs in the amount of \$434 (2002 - \$434).

7. Capital stock:

(a) Background:

Mississauga City Council approved a by-law, effective January 1, 2000, effecting the transfer of the electricity distribution business formerly conducted by the Mississauga Hydro-Electric Commission to the Corporation. The City received consideration in the form of a note receivable for \$150,000 and common shares in exchange, at the time of the transfer. On December 6, 2001, the City received further consideration in the form of a note receivable for \$119,214 and a dividend of \$20,785 when it exchanged shares issued on January 1, 2000 for shares of Enersource Corporation, the Corporation's parent. The transfers were recorded at net book value.

(b) Capital stock:

	2003	2002
Authorized:		
Unlimited common shares		
Issued:		
40 common shares	\$ 155,629	\$ 155,629

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

8. Change in non-cash operating working capital:

	2003	2002 (Restated - note 2)
Accounts receivable	\$ 11,833	\$ (18,405)
Unbilled revenue	20,058	(24,964)
Amounts due to/from related parties	7,398	(4,369)
Recoverable payments in lieu of income taxes	—	1,094
Inventory	(532)	174
Prepaid expenses and deposits	(90)	1,247
Accounts payable and accrued liabilities	(6,442)	14,027
Amounts in lieu of corporate income taxes payable	5,270	254
Deferred revenue	—	(1,818)
Advance payments - subdividers	(740)	34
Retail settlement variances	5,993	—
	<u>\$ 42,748</u>	<u>\$ (32,726)</u>

9. Employee retirement and post-retirement benefits:

(a) Pensions:

A contribution holiday was in effect for OMERS members from August 31, 1998 through December 31, 2002. Accordingly, no contributions were made by the Corporation or its subsidiaries during 2002 due to a plan surplus. Contributions resumed in January 2003 at one third of full contribution rates. Full contributions have resumed effective the first full pay period of 2004. During fiscal 2003, employer contributions were \$380 (2002 - nil).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

9. Employee retirement and post-retirement benefits (continued):

(b) Other retirement and post-retirement benefits:

	2003	2002
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 1,877	\$ 1,786
Service cost	30	29
Interest cost	129	123
Benefits paid	(65)	(61)
Benefit obligation, end of year	\$ 1,971	\$ 1,877
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ —	\$ —
Employers' contributions	65	61
Benefits paid	(65)	(61)
Fair value of plan assets, end of year	\$ —	\$ —
Discount rate	7.0%	7.0%
Expected return on plan assets	7.0%	7.0%
Rate of compensation increase	3.5%	3.5%

The principal funding obligation of the plan is to fund life insurance benefits based on employment date and years of service. A small group of former employees who elected to retire under a special early retirement incentive plan are entitled to a continuation of health and dental premiums until age 65. Accordingly, based on the current participation profile, changes in health and dental care costs will not significantly impact the estimates of plan obligations. The total estimated plan obligation at December 31, 2003 is \$1,971 (2002 - \$1,877). There is no unamortized past service component. The next actuarial valuation will be completed for the 2004 fiscal year end.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2003

10. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current coverage is provided to a level of \$30,000 per incident.

The Corporation has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

(b) Other claims:

A class action claiming \$500,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class, consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association is undertaking the defence of this class action. At this time, it is not possible to quantify the effect, if any, on these financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

11. Commitments:

(a) Guarantees:

Purchasers of electricity in Ontario, through the IMO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The market could draw on these guarantees if the Corporation failed to make payment required by a default notice issued by the IMO. The Corporation's parent company has guaranteed the obligations of the Corporation in the amount of \$16,618 (2002 - \$28,115).

(b) Commitments:

The Corporation leases equipment under operating lease agreements. Minimum lease payments due in future fiscal periods under these agreements are as set out below:

2004	\$ 35
2005	13
2006	3

12. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, cash and cash equivalents held for consumer deposits, accounts payable and accrued liabilities, advance payments - subdividers and amounts due to and from related parties approximate fair values because of the short maturity of these instruments.

The bonds payable, having a carrying value of \$290,000 (2002 - \$290,000), have a fair value of \$308,734 (2002 - \$305,486) based on year-end quoted market prices.

Financial assets held by the Corporation expose it to credit risk. As at December 31, 2003, there were no significant concentrations of credit risk with respect to any class of financial assets. The Corporation earns its revenue from a broad base of customers located principally in Mississauga. No single customer would account for revenue or an accounts receivable balance in excess of 10% of the respective reported balances.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2003

13. Related party transactions:

The Corporation provides electricity and services to the principal shareholder of its parent company, the City. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlighting maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost. A summary of amounts charged by the Corporation to the City is as follows:

	2003	2002 (Restated - note 2)
Electrical energy	\$ 8,043	\$ 8,291
Streetlighting energy	2,764	2,653

The Corporation charged the City \$2,603 (2002 - \$3,357) for other construction services in 2003.

During fiscal 2003, the Corporation purchased capital assets from a company under common control for \$18 (2002 - nil) which is recorded at the exchange amount, being the amount agreed to by the parties.

At December 31, 2003, accounts payable and accrued liabilities include \$43 (2002 - \$109) due to the City and accounts receivable includes \$1,424 (2002 - \$2,288) due from the City.

Amounts due from related parties include \$340 (2002 - \$2,920) from a company under common control and \$165 (2002 - \$9,335) from the parent company.

Amounts due to related parties include \$433 (2002 - \$11) to a company under common control and \$2,467 to the parent company (2002 - \$7,240).

14. Energy purchases:

As a participant in the competitive electricity market, effective May 1, 2002, all electricity purchases for standard supply customers are subject to pricing determined by the IMO, a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2003 is \$41,243 (2002 - \$45,227) owed in respect of electricity purchases through the IMO.

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Tab 5 – Schedule 5.4

Financial Statements - 2004

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Financial Statements of

**ENERSOURCE HYDRO
MISSISSAUGA INC.**

Year ended December 31, 2004



KPMG LLP
Chartered Accountants
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Canada

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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Enersource Hydro Mississauga Inc. as at December 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

February 25, 2005

ENERSOURCE HYDRO MISSISSAUGA INC.

Balance Sheet
 (In thousands of dollars)

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,121	\$ 52,707
Accounts receivable	47,348	40,062
Unbilled revenue	51,187	46,406
Amounts due from related parties, without interest (note 12)	627	505
Inventory	4,081	4,684
Prepaid and deposits	354	204
	128,718	144,568
Capital assets (note 3)	393,844	395,815
Other assets:		
Cash and cash equivalents held for consumer deposits	28,120	25,451
Deferred debt issue costs, net of amortization of \$1,590 (2003 - \$1,156)	2,746	3,180
Regulatory assets (note 4)	18,637	21,384
	49,503	50,015
	\$ 572,065	\$ 590,398
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 72,222	\$ 68,033
Payments in lieu of corporate income taxes payable	1,160	5,524
Advance payments - subdividers	1,480	3,395
Due to related parties, without interest (note 12)	2,702	2,900
Regulatory liabilities (note 4)	2,453	5,993
	80,017	85,845
Long-term liabilities:		
Bonds payable (note 5)	290,000	290,000
Consumer deposits	28,120	25,451
Employee retirement and post-retirement benefits (note 8)	2,049	1,971
	320,169	317,422
Shareholder's equity:		
Capital stock (note 6)	155,629	155,629
Retained earnings	16,250	31,502
	171,879	187,131
Contingencies (note 9)		
Commitments (note 10)		
	\$ 572,065	\$ 590,398

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

ENERSOURCE HYDRO MISSISSAUGA INC.

Statement of Income and Retained Earnings (In thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Energy sales	\$ 624,865	\$ 625,445
Other	3,674	2,509
	<u>628,539</u>	<u>627,954</u>
Operating expenses:		
Energy purchases	534,046	536,958
Operations, maintenance and administration	31,331	30,021
Amortization of capital assets	29,321	27,533
Amortization of regulatory assets	5,252	—
	<u>599,950</u>	<u>594,512</u>
Operating income	28,589	33,442
Interest:		
Income	1,782	1,938
Expense	(15,055)	(18,405)
	<u>(13,273)</u>	<u>(16,467)</u>
Income before payments in lieu of corporate income taxes	15,316	16,975
Payments in lieu of corporate income taxes (note 2)	4,826	7,002
Net income	10,490	9,973
Dividends paid	(25,742)	—
Retained earnings, beginning of year	31,502	21,529
Retained earnings, end of year	<u>\$ 16,250</u>	<u>\$ 31,502</u>

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Statement of Cash Flows (In thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Net income	\$ 10,490	\$ 9,973
Items not affecting cash:		
Amortization of debt issue costs	434	434
Amortization of capital assets	29,321	27,533
Amortization of regulatory assets	5,252	—
Loss (gain) on disposal of capital assets	(49)	3
Employee retirement and post-retirement benefits	78	94
	45,526	38,037
Change in non-cash operating working capital (note 7)	(17,565)	42,748
Cash provided by operating activities	27,961	80,785
Financing activities:		
Consumer deposits	2,669	2,317
Dividends paid	(25,742)	—
Cash provided by (used in) financing activities	(23,073)	2,317
Investing activities:		
Cash and cash equivalents held for consumer deposits	(2,669)	(2,317)
Additions to capital assets	(27,483)	(24,831)
Proceeds on disposal of capital assets	183	16
Regulatory assets	(2,505)	4,799
Cash used in investing activities	(32,474)	(22,333)
Increase (decrease) in cash and cash equivalents	(27,586)	60,769
Cash and cash equivalents (bank overdraft), beginning of year	52,707	(8,062)
Cash and cash equivalents, end of year	\$ 25,121	\$ 52,707
Supplemental cash flow information:		
Interest received	\$ 1,773	\$ 1,921
Interest paid	18,241	18,241
Instalments paid in respect of payments in lieu of corporate income taxes	12,315	6,539

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements
(In thousands of dollars)

Year ended December 31, 2004

Enersource Hydro Mississauga Inc. (the "Corporation") is the electric distribution utility for residents of the City of Mississauga (the "City").

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

(b) Rate setting:

The Corporation is regulated by the Ontario Energy Board ("OEB") under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include costs, revenue, losses or gains in the rates of a specific period, resulting in the change in the timing of accounting recognition from that, which would have applied in an unregulated company. Specifically, the following accounting treatments have been applied:

- (i) Capital and operating costs incurred in respect of the transition to competitive markets have been deferred with amortization to commence on the date that a rate increase is implemented to offset the amortization of the transition costs. In November 2003, the Province of Ontario introduced the Ontario Energy Board Amendment Act (Electricity Pricing) 2003 (the "2003 Act"). The 2003 Act impacts both the distribution and energy rates charged to customers and includes a provision for the recovery of regulatory assets (note 1 (k)).
- (ii) An amount to represent the cost of funds used during construction and development has been applied based on the value of construction in progress.
- (iii) The Corporation does not record future income tax assets or liabilities for its regulated business activities to the extent that it is expected that the recovery or realization of these amounts will be included in future distribution rates.
- (iv) The Corporation has deferred certain pre-market opening cost of power variances and post-market opening retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(v) The Corporation has deferred the recognition of the employer's share of contributions to OMERS for its regulated business activities from 2004 onward to the extent that it is expected that these costs will be recovered through future distribution rates.

(c) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days.

(d) Revenue recognition:

Revenue is recognized on the accrual basis and includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of actual electricity usage.

Other revenue is recognized as services are rendered or contract milestones are achieved.

(e) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered and an appropriate allowance for unrecoverable amounts. Inventories are recorded net of provisions for obsolescence.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions of the OEB or the Minister of Energy. Amounts recorded for amortization of capital assets are based on the estimates of useful service life.

(f) Inventory:

Inventory, which consists of parts and supplies acquired for internal construction or consumption, is valued at the lower of cost and replacement cost. Cost is determined on a weighted-moving-average basis.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(g) Capital assets:

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction when applied. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions, whether in cash or in-kind, be offset against the related asset cost. Contributions in-kind are valued at their fair market value at the date of their contribution.

When identifiable assets, such as buildings, distribution station equipment and equipment and furniture are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets, such as transmission and distribution facilities, is removed from the accounts at the end of their estimated service life.

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	Estimated service life (years)	
	Range	Average
Buildings	25 - 60	55
Distribution station equipment	15 - 35	28
Transmission and distribution system	25 - 40	26
Equipment and furniture	4 - 10	8
Computer software	2	2

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

An allowance for the cost of funds used during the construction period has been applied. The rate applied for the current fiscal period is equal to the rate allowed by the OEB in respect of long-term borrowings, being 6.9% (2003 - 6.9%).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(h) Deferred debt issue costs:

Deferred debt issue costs represent the cost of the issuance of the bonds. Amortization is provided on a straight-line basis over the term of the related bonds.

(i) Consumer deposits:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits and invested in term deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest rates paid on customer deposits changed effective August 1, 2004 from a variable rate of prime less 1.9% to a variable rate of prime less 2.0%, updated quarterly.

(j) Pension and other post-employment benefits:

The Corporation accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The Corporation has obtained approval from the OEB to defer all 2004 and future pension expenses incurred for recovery in future rates.

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ended at the earliest age the employee could retire and qualify for benefits.

(k) Regulatory assets and liabilities:

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power regulated by the utility. The OEB directs the distribution utilities to recover these variance balances as at December 31, 2003 plus accrued interest in rates over a four-year period beginning April 2004. Additional variances are to be deferred for future true up with the Independent Electricity System Operator ("IESO") known formally as the Independent Market Operator ("IMO").

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

Regulatory balances are comprised principally as follows:

Transition costs - represent costs related to the transition to a competitive electricity market, mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs, to qualify amounts for deferral and amortization against future revenue. The Corporation's transition costs have been reviewed via an oral hearing and recovery has been decided upon by the OEB in its December 9, 2004 decision.

Pre-market opening cost of power variances - represents amounts accumulated as a result of the excess of the cost of power purchased by the Corporation over the amount billed for this power prior to the market opening. The OEB directed utilities to accumulate such variances in the period leading up to market opening.

Post-market opening retail settlement variances - are variances that have occurred since May 1, 2002 when the competitive electricity market was declared open and that have accumulated pursuant to direction from the OEB. Specifically, these amounts include variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges, transmission charges as compared to the amount billed to consumers based on the OEB-approved rates.

In November 2003, the Province of Ontario introduced the 2003 Act, which implemented a new electricity-pricing regime believed to better reflect the true cost of electricity.

The 2003 Act, which received Royal Assent in December 2003, removed the 4.3¢ per kWh electricity price freeze established under the Electricity Pricing, Conservation and Supply Act, 2002 and gives the OEB the power to establish the electricity commodity price for low volume consumers and designated consumers who do not choose an electricity retailer. The OEB's new pricing regime is to take effect no later than May 2005. In the meantime and beginning on April 1, 2004, the government has implemented an interim pricing plan under which the first 750 kWh consumed in any month by low-volume and designated consumers is priced at 4.7¢ per kWh and consumption above that level for these consumers is priced at a higher rate of 5.5¢ per kWh. In the event that these interim prices exceed the costs paid by the Ontario Electricity Financial Corporation ("OEFC"), the 2003 Act includes provisions permitting the making of regulations requiring distributors, retailers or the IESO to credit consumers for the difference. Under the 2003 Act, regulations may also be made to compensate distributors, retailers and the IESO for making any such payments.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

In November 2003, the Province of Ontario announced its intention to allow electricity distributors to recover deferred transition costs and energy variances over a four-year period commencing April 1, 2004. In January 2004, in compliance with regulatory direction, the Corporation submitted to the OEB an application to recover 25% of the December 31, 2002 balance of these regulatory assets. On December 9, 2004, the OEB awarded the Corporation \$26,800 for the recovery of regulatory balances as at December 31, 2003, plus interest, as determined by a Regulatory Hearing. These financial statements include a net interest adjustment in the amount of \$3,948 to record the interest component of that decision for the period ended December 31, 2004.

On April 1, 2005 the Corporation will implement the final rate increase as permitted by the OEB toward achieving a market-based rate of return. The initial 12 months of this incremental revenue will be fully invested in electricity conservation and demand management strategies by September 2007.

(l) Payments in lieu of corporate income taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes to OEFC. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Corporation uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and tax basis of the Corporation's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Corporation's income taxes payable in the year or a later period. No provision is made for future income taxes to the extent the future income taxes are expected to be included in the rates charged to customers in the future. Management believes that when unrecorded future income taxes become payable, or the assets are realized, it is expected that they will be included in rates approved by the OEB and recovered from customers at that time.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

2. Payments in lieu of corporate income taxes:

Future income taxes have not been recorded in the accounts as they are expected to be recovered through future revenue. Based on substantively enacted income tax rates, the potential benefit of unrecorded future income tax assets arising substantially from differences between accounting and tax values for capital assets is \$36,353 (2003 - \$37,415).

3. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,921	\$ —	\$ 3,921	\$ 3,921
Buildings	13,745	4,218	9,527	8,882
Distribution station equipment	75,539	31,814	43,725	42,434
Transmission and distribution system	554,413	233,895	320,518	317,830
Equipment and furniture	21,545	12,446	9,099	7,523
Computer software	5,599	3,559	2,040	3,559
Construction in progress: electric distribution system	5,014	—	5,014	11,666
	\$ 679,776	\$ 285,932	\$ 393,844	\$ 395,815

During the year, \$583 (2003 - \$915), representing an allowance for the cost of funds used during construction, was capitalized to construction in progress.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

4. Regulatory assets and liabilities:

Regulatory assets and liabilities can arise as a result of the rate-making process:

	2004	2003
Regulatory assets:		
Deferred transition costs	\$ 11,358	\$ 11,247
Pre-market opening cost of power variances	11,054	9,871
Deferred OMERS employer contributions	874	—
Miscellaneous deferred debits	237	266
Other regulatory assets	486	—
	24,009	21,384
Less regulatory asset recoveries	5,372	—
	\$ 18,637	\$ 21,384
Regulatory liabilities:		
Post-market opening retail settlement variances	\$ 2,453	\$ 5,993

At December 31, 2004, the Corporation had no reserves for the deferred transition costs and miscellaneous deferred debits (2003 - \$2,502). The Corporation has accrued interest on the deferral accounts for pre-market opening cost of power variances and post-market opening retail settlement variances, as directed by the OEB. As at December 31, 2004, this accrued interest amounted to \$3,702 (2003 - \$171).

5. Bonds payable:

	2004	2003
6.29% BPC-Enersource Series Bonds, Tranche 1, due May 3, 2011	\$ 290,000	\$ 290,000

Interest expense includes \$18,241 (2003 - \$18,241) in respect of interest on long-term liabilities and amortization of debt issue costs in the amount of \$434 (2003 - \$434).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

6. Capital stock:

(a) Background:

Mississauga City Council approved a by-law, effective January 1, 2000, affecting the transfer of the electricity distribution business formerly conducted by the Mississauga Hydro-Electric Commission to the Corporation. The City received consideration in the form of a note receivable for \$150,000 and common shares in exchange, at the time of the transfer. On December 6, 2001, the City received further consideration in the form of a note receivable for \$119,214 and a dividend of \$20,785 when it exchanged shares issued on January 1, 2000 for shares of Enersource Corporation, the Corporation's parent. The transfers were recorded at net book value.

(b) Capital stock:

	2004	2003
Authorized:		
Unlimited common shares		
Issued:		
40 common shares	\$ 155,629	\$ 155,629

On November 25, 2004, the Corporation declared and paid a dividend to its shareholder in the amount of \$25,742.

7. Change in non-cash operating working capital:

	2004	2003
Accounts receivable	\$ (7,286)	\$ 11,833
Unbilled revenue	(4,781)	20,058
Amounts due to/from related parties	(320)	7,398
Inventory	603	(532)
Prepaid and deposits	(150)	(90)
Accounts payable and accrued liabilities	4,189	(6,442)
Payments in lieu of corporate income taxes payable	(4,365)	5,270
Advance payments - subdividers	(1,915)	(740)
Retail settlement variances	(3,540)	5,993
	\$ (17,565)	\$ 42,748

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

8. Employee retirement and post-retirement benefits:

(a) Pensions:

A contribution holiday was in effect for OMERS members from August 31, 1998 through December 31, 2002. Accordingly, no contributions were made by the Corporation or its subsidiaries during 2002 due to a plan surplus. Contributions resumed in January, 2003 at one third of full contribution rates. Full contributions have resumed effective the first full pay period of 2004. During fiscal 2004, employer contributions were \$902 (2003 - \$380). With the OEB's approval, the Corporation has deferred \$874 of its 2004 pension expense for recovery in future rates.

(b) Other retirement and post-retirement benefits:

	2004	2003
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 1,971	\$ 1,877
Service cost	30	30
Interest cost	122	129
Benefits paid	(74)	(65)
Benefit obligation, end of year	\$ 2,049	\$ 1,971
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ —	\$ —
Employers' contributions	74	65
Benefits paid	(74)	(65)
Fair value of plan assets, end of year	\$ —	\$ —
Discount rate	6.5%	7.0%
Expected return on plan assets	6.5%	7.0%
Rate of compensation increase	3.5%	3.5%

The principal funding obligation of the plan is to fund life insurance benefits based on employment date and years of service. A small group of former employees who elected to retire under a special early retirement incentive plan are entitled to a continuation of health and dental premiums until age 65. Accordingly, based on the current participation profile, changes in health and dental care costs will not significantly impact the estimates of plan obligations. The total estimated plan obligation at December 31, 2004 is \$2,049 (2003 - \$1,971). There is no unamortized past service component.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

8. Employee retirement and post-retirement benefits (continued):

The amounts presented are based upon an actuarial valuation performed as of December 31, 2003 on March 15, 2004. The next valuation is expected to be performed for the year ending December 31, 2005.

The Corporation's net benefit expense is as follows:

	2004	2003
Current service cost	\$ 30	\$ 30
Interest cost	122	129
	<u>\$ 152</u>	<u>\$ 159</u>

9. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current coverage is provided to a level of \$30,000 per incident.

The Corporation has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

(b) Other claims:

A class action claiming \$500,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class, consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2004

9. Contingencies (continued):

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association is undertaking the defence of this class action. At this time, it is not possible to quantify the effect, if any, on the financial statements of the Corporation. It is the Corporation's position that any late payment charges that are required to be repaid to customers as a result of this class action would be included in a rate adjustment application to the OEB for full recovery.

On April 22, 2004, the Supreme Court of Canada released its decision in the case commenced against Enbridge Gas Distribution ("EGD") by a customer with respect to late payment penalties. The Supreme Court of Canada determined that EGD would be required to repay a portion of amounts paid to it as late payment penalties from April 1994. Any implications of the EGD decision in the Toronto Hydro class action cannot be determined at this time.

10. Commitments:

(a) Guarantees:

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on these guarantees if the Corporation failed to make payment required by a default notice issued by the IESO. The Corporation has provided the IESO with a letter of credit in the amount of \$16,618 (2003 - \$16,618).

(b) Commitments:

The Corporation leases equipment under operating lease agreements. The minimum lease payment due in 2005 under these agreements is \$4.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Year ended December 31, 2004

11. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, cash and cash equivalents held for consumer deposits, accounts payable and accrued liabilities, advance payments - subdividers and amounts due to and from related parties approximate fair values because of the short maturity of these instruments.

The bonds payable, having a carrying value of \$290,000 (2003 - \$290,000), have a fair value of \$317,538 (2003 - \$308,734) based on year-end quoted market prices for similar debt. Financial assets held by the Corporation expose it to credit risk. As at December 31, 2004 and 2003, there were no significant concentrations of credit risk with respect to any class of financial assets. The Corporation earns its revenue from a broad base of customers located principally in Mississauga. No single customer would account for revenue or an accounts receivable balance in excess of 10% of the respective reported balances.

12. Related party transactions:

The Corporation provides electricity and services to the principal shareholder of its parent company, the City. Electrical and streetlighting energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Other construction services are provided at cost. A summary of amounts charged by the Corporation to the City is as follows:

	2004	2003
Electrical energy	\$ 8,787	\$ 8,043
Streetlighting energy	3,170	2,764

The Corporation charged the City \$227 for other construction services in 2004 (2003 - \$2,603).

During fiscal 2004, the Corporation purchased capital assets from a company under common control for nil (2003 - \$18), which is recorded at the exchange amount, being the amount agreed to by the parties.

At December 31, 2004, accounts payable and accrued liabilities include \$76 (2003 - \$43) due to the City and accounts receivable includes \$297 (2003 - \$1,424) due from the City.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2004

12. Related party transactions (continued):

Amounts due from related parties include \$619 (2003 - \$340) from a company under common control and \$8 (2003 - \$165) from the parent company.

Amounts due to related parties include \$294 (2003 - \$433) to a company under common control and \$2,408 to the parent company (2003 - \$2,467).

13. Energy purchases:

As a participant in the competitive electricity market, all electricity purchases for standard supply customers are subject to pricing determined by the IESO, a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2004 is \$48,060 (2003 - \$41,243) owed in respect of electricity purchases through the IESO.

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Tab 5 – Schedule 5.5

Financial Statements - 2005

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Financial Statements of

**ENERSOURCE HYDRO
MISSISSAUGA INC.**

Years ended December 31, 2005 and 2004



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Enersource Hydro Mississauga Inc.
Filed: November 25, 2011
2012 IRM Application - EB-2011-0100
Tab 5, Sch. 5.5
Page 2 of 22

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheets of Enersource Hydro Mississauga Inc. as at December 31, 2005 and 2004 and the statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Corporation as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

February 24, 2006

ENERSOURCE HYDRO MISSISSAUGA INC.

Balance Sheets
 (In thousands of dollars)

December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,275	\$ 25,121
Accounts receivable	52,996	47,348
Unbilled revenue	64,478	51,187
Amounts due from related parties, without interest (note 12)	53	627
Inventory	4,845	4,081
Prepaid and deposits	550	354
	184,197	128,718
Capital assets (note 3)	394,048	393,844
Other assets:		
Cash and cash equivalents held for consumer deposits	22,354	28,120
Deferred debt issue costs, net of amortization of \$2,024 (2004 - \$1,590)	2,312	2,746
Regulatory assets (note 4)	21,014	24,365
	45,680	55,231
	\$ 623,925	\$ 577,793
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 114,318	\$ 72,222
Payments in lieu of corporate income taxes payable	6,398	1,160
Advance payments - subdividers	486	1,480
Due to related parties, without interest (note 12)	1,187	2,702
Regulatory liabilities (note 4)	8,678	8,181
	131,067	85,745
Long-term liabilities:		
Bonds payable (note 5)	290,000	290,000
Consumer deposits	22,354	28,120
Employee retirement and post-retirement benefits (note 8)	2,140	2,049
	314,494	320,169
Shareholder's equity:		
Capital stock (note 6)	155,629	155,629
Retained earnings	22,735	16,250
	178,364	171,879
Contingencies (note 9)		
Commitments (note 10)		
	\$ 623,925	\$ 577,793

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

ENERSOURCE HYDRO MISSISSAUGA INC.

Statements of Income and Retained Earnings
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

	2005	2004
Revenue:		
Energy sales	\$ 672,412	\$ 534,046
Distribution	103,495	90,819
Other	6,455	3,674
	<u>782,362</u>	<u>628,539</u>
Operating expenses:		
Energy purchases	672,412	534,046
Operations, maintenance and administration	35,374	31,331
Amortization of capital assets	29,766	29,321
Amortization of regulatory assets	7,513	5,252
	<u>745,065</u>	<u>599,950</u>
Operating income	37,297	28,589
Interest:		
Income	1,718	1,782
Expense	(17,677)	(15,055)
	<u>(15,959)</u>	<u>(13,273)</u>
Income before payments in lieu of corporate income taxes	21,338	15,316
Payments in lieu of corporate income taxes (note 2)	8,559	4,826
Net income	12,779	10,490
Dividends paid	(6,294)	(25,742)
Retained earnings, beginning of year	16,250	31,502
Retained earnings, end of year	<u>\$ 22,735</u>	<u>\$ 16,250</u>

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Statements of Cash Flows
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operating activities:		
Net income	\$ 12,779	\$ 10,490
Items not affecting cash:		
Amortization of debt issue costs	434	434
Amortization of capital assets	29,766	29,321
Amortization of regulatory assets	7,513	5,252
Loss (gain) on disposal of capital assets	189	(49)
Employee retirement and post-retirement benefits	91	78
	50,772	45,526
Change in non-cash operating working capital (note 7)	25,997	(11,837)
Cash provided by operating activities	76,769	33,689
Financing activities:		
Consumer deposits	(5,766)	2,669
Dividends paid	(6,294)	(25,742)
Cash used in financing activities	(12,060)	(23,073)
Investing activities:		
Cash and cash equivalents held for consumer deposits	5,766	(2,669)
Additions to capital assets	(30,245)	(27,483)
Proceeds on disposal of capital assets	86	183
Regulatory assets	(4,162)	(8,233)
Cash used in investing activities	(28,555)	(38,202)
Increase (decrease) in cash and cash equivalents	36,154	(27,586)
Cash and cash equivalents, beginning of year	25,121	52,707
Cash and cash equivalents, end of year	\$ 61,275	\$ 25,121
Supplemental cash flow information:		
Interest received	\$ 1,726	\$ 1,773
Interest paid	18,241	18,241
Supplemental disclosure of non-cash financing and investing activities:		
Instalments paid in respect of payments in lieu of corporate income taxes	6,116	12,315

See accompanying notes to financial statements.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements
(In thousands of dollars)

Years ended December 31, 2005 and 2004

Enersource Hydro Mississauga Inc. (the "Corporation") is the electric distribution utility for residents of the City of Mississauga (the "City").

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

(b) Rate setting:

The Corporation is regulated by the Ontario Energy Board ("OEB") under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include costs, revenue, losses or gains in the rates of a specific period, resulting in the change in the timing of accounting recognition from that which would have applied in an unregulated company. Specifically, the following accounting treatments have been applied:

- (i) Capital and operating costs incurred in respect of the transition to competitive markets have been deferred with amortization to commence on the date that a rate increase is implemented to offset the amortization of the transition costs. In November 2003, the Province of Ontario introduced the Ontario Energy Board Amendment Act (Electricity Pricing) 2003 (the "2003 Act"). The 2003 Act impacts both the distribution and energy rates charged to customers and includes a provision for the recovery of regulatory assets (note 1 (k)).
- (ii) An amount to represent the cost of funds used during construction and development has been applied based on the value of construction in progress.
- (iii) The Corporation does not record future income tax assets or liabilities for its regulated business activities to the extent that it is expected that the recovery or realization of these amounts will be included in future distribution rates.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(iv) The Corporation has deferred certain pre-market opening cost of power variances and post-market opening retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

(v) The Corporation has deferred the recognition of the employer's share of contributions to Ontario Municipal Employees Retirement System ("OMERS") for its regulated business activities from 2004 onward to the extent that it is expected that these costs will be recovered through future distribution rates.

(c) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days.

(d) Revenue recognition:

Revenue is recognized on the accrual basis and includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of actual electricity usage.

Other revenue is recognized as services are rendered or contract milestones are achieved.

(e) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered with an appropriate allowance for unrecoverable amounts. Inventories are recorded net of provisions for obsolescence.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions of the OEB or the Minister of Energy. Amounts recorded for amortization of capital assets are based on the estimates of useful service life.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(f) Inventory:

Inventory, which consists of parts and supplies acquired for internal construction or consumption, is valued at the lower of cost and replacement cost. Cost is determined on a weighted moving average basis.

(g) Capital assets:

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction when applied. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions, whether in cash or in-kind, be offset against the related asset cost. Contributions in-kind are valued at their fair market value at the date of their contribution.

When identifiable assets, such as buildings, distribution station equipment and equipment and furniture are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets, such as transmission and distribution facilities, is removed from the accounts at the end of their estimated service life.

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	Estimated service life	
	Range	Average
Buildings	25 - 60 years	55
Distribution station equipment	15 - 35 years	28
Transmission and distribution system	25 - 40 years	26
Equipment and furniture	4 - 10 years	8
Computer software	2 years	2

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

An allowance for the cost of funds used during the construction period has been applied. The rate applied for the current fiscal period is equal to the rate allowed by the OEB in respect of long-term borrowings, being 6.9% (2004 - 6.9%).

(h) Deferred debt issue costs:

Deferred debt issue costs represent the cost of the issuance of the bonds. Amortization is provided on a straight-line basis over the term of the related bonds.

(i) Consumer deposits:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits and invested in term deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest rates paid on customer deposits changed effective August 1, 2004 from a variable rate of prime less 1.9% to a variable rate of prime less 2.0%, updated quarterly.

(j) Pension and other post-employment benefits:

The Corporation accounts for its participation in OMERS, a multi-employer public sector pension fund, as a defined contribution plan. The Corporation has obtained approval from the OEB to defer pension expenses, commencing January 1, 2004, for recovery in future rates.

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ended at the earliest age the employee could retire and qualify for benefits.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(k) Regulatory assets and liabilities:

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power regulated by the utility. The OEB has directed distribution utilities to recover these variance balances as at December 31, 2003 plus accrued interest in rates over a four-year period beginning April 2004.

Regulatory balances are comprised principally as follows:

Transition costs - represent costs related to the transition to a competitive electricity market, mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs, to qualify amounts for deferral and amortization against future revenue. The Corporation's transition costs have been reviewed via an oral hearing and recovery has been decided upon by the OEB in its December 9, 2004 decision.

Pre-market opening cost of power variances - represents amounts accumulated as a result of the excess of the cost of power purchased by the Corporation over the amount billed for this power prior to the market opening. The OEB directed utilities to accumulate such variances in the period leading up to market opening.

Post-market opening retail settlement variances - are variances that have occurred since May 1, 2002 when the competitive electricity market was declared open and that have accumulated pursuant to direction from the OEB. Specifically, these amounts include variances between the amount charged by the Independent Electricity System Operator ("IESO") for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges as compared to the amount billed to consumers based on the OEB-approved rates.

In November 2003, the Province of Ontario introduced the 2003 Act, which implemented a new electricity pricing regime believed to better reflect the true cost of electricity.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

The 2003 Act, which received Royal Assent in December 2003, removed the 4.3¢ per kwh electricity price freeze established under the Electricity Pricing, Conservation and Supply Act, 2002 and gives the OEB the power to establish the electricity commodity price for low volume consumers and designated consumers who do not choose an electricity retailer. The OEB's new pricing regime took effect in May 2005. In the meantime, and beginning on April 1, 2004, the government has implemented an interim pricing plan under which the first 750 kwh consumed in any month by low volume and designated consumers is priced at 4.7¢ per kwh and consumption above that level for these consumers is priced at a higher rate of 5.5¢ per kwh. In the event that these interim prices exceed the costs paid by the Ontario Electricity Financial Corporation ("OEFC"), the 2003 Act includes provisions permitting the making of regulations requiring distributors, retailers or the IESO to credit consumers for the difference. Under the 2003 Act, regulations may also be made to compensate distributors, retailers and the IESO for making any such payments.

On March 11, 2005, the OEB announced further changes to electricity prices for residential, low-volume and designated customers to take effect April 1, 2005. Electricity prices increased effective April 1 from 4.7¢ per kwh to 5.0¢ per kwh for the first 750 kwh consumed in a month, and from 5.5¢ per kwh to 5.8¢ per kwh for consumption in excess of that amount. Commencing November 1, 2005, the price threshold will change twice a year. The price threshold will be 1,000 kwh per month during the November 1 through April 30 season and 600 kwh in the May 1 through October 31 season ("the 2005 pricing"). The new plan is designed to ensure that electricity pricing to low volume customers better reflects the true cost of power while also helping customers manage their electricity costs in a stable and predictable manner.

In November 2003, the Province of Ontario announced its intention to allow electricity distributors to recover deferred transition costs and energy variances over a four-year period commencing April 1, 2004. In January 2004, in compliance with regulatory direction, the Corporation submitted to the OEB an application to recover 25% of the December 31, 2002 balance of these regulatory assets. On December 9, 2004, the OEB awarded the Corporation \$26,800 for the recovery of regulatory balances as at December 31, 2003, plus interest, as determined by a Regulatory Hearing. These financial statements include a net interest adjustment in the amount of \$3,948 to record the interest component of that decision for the year ended December 31, 2004.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

On April 1, 2005, the Corporation implemented the final rate increase, as permitted by the OEB, toward achieving a market-based rate of return. The initial 12 months of this incremental revenue will be fully invested in electricity conservation and demand management strategies by September 2007.

2. Payments in lieu of corporate income taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes to OEFC. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario), as modified by the Electricity Act, 1998, and related regulations.

The Corporation uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and tax basis of the Corporation's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Corporation's income taxes payable in the year or a later period. No provision is made for future income taxes to the extent the future income taxes are expected to be included in the rates charged to customers in the future. Management believes that when unrecorded future income taxes become payable, or the assets are realized, it is expected that they will be included in rates approved by the OEB and recovered from customers at that time.

Based on substantively enacted income tax rates, the potential benefit of unrecorded future income tax assets arising substantially from differences between accounting and tax values for capital assets is \$43,923 (2004 - \$36,353). Future income taxes have not been recorded in the accounts as they are expected to be recovered through future revenue.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

3. Capital assets:

			2005	2004
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,071	\$ —	\$ 4,071	\$ 3,921
Buildings	14,065	4,462	9,603	9,527
Distribution station equipment	78,168	33,970	44,198	43,725
Transmission and distribution system	571,056	253,593	317,463	320,518
Equipment and furniture	23,610	13,240	10,370	9,099
Computer software	2,227	1,197	1,030	2,040
Construction in progress:				
Buildings	1	—	1	—
Electric distribution system	7,312	—	7,312	5,014
	\$ 700,510	\$ 306,462	\$ 394,048	\$ 393,844

During the year, \$438 (2004 - \$583), representing an allowance for the cost of funds used during construction, was capitalized to construction in progress.

4. Regulatory assets and liabilities:

Regulatory assets and liabilities can arise as a result of the rate-making process. The following table demonstrates the impact on 2005 earnings net of PILS as a result of regulated accounting requirements.

	2005	2004	Estimated remaining settlement period (yrs)	2005 impact on earnings net of PILS ((a)(i))
Regulatory assets:				
Deferred OMERS employer contributions ((a)(ii))	\$ 1,916	\$ 874	1 - 2	\$ 1,042
Other regulatory assets ((a)(iii))	1,436	486	1 - 2	950
	3,352	1,360		1,992
Regulatory assets approved for recovery ((a)(iv))	17,662	23,005	2 - 3	(3,184)
	\$ 21,014	\$ 24,365		\$ (1,192)
Regulatory liabilities:				
Retail settlement variances ((a)(v))	\$ 2,276	\$ 8,181	1	\$ (334)
Global adjustment retail settlement variance ((a)(vi))	6,402	—	1	360
	\$ 8,678	\$ 8,181		\$ 26

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

4. Regulatory assets and liabilities (continued):

(a) Explanatory notes:

- (i) The 2005 impact on earnings net of PILs represents the effect on the consolidated net income as a result of applying rate regulated accounting.
- (ii) The OEB has approved the deferral of the Corporation's employer portion of pension contributions to the OMERS retirement fund. The deferred OMERS employer contributions amount reflects the Corporation's required contributions for 2004 and 2005 plus interest charged at an OEB approved rate.
- (iii) The OEB has approved the deferral of the Corporation's OEB assessed costs and requires that the Corporation record and defer the difference between revenues and costs associated with providing retailers with customer settlement services as RCVA deferrals. These items are included in other regulatory assets.
- (iv) On December 9, 2004, the OEB approved the recovery of the Corporation's regulatory assets as at December 31, 2003. This amount reflects the total approved regulatory asset for recovery plus interest charged at an OEB approved rate less amounts recovered through distribution rates since April 1, 2004.
- (v) The OEB requires the Corporation to record and defer the difference between energy charged to its customers and the actual cost of power incurred and paid to the IESO and to Hydro One. The retail settlement variance reflects this difference since January 1, 2004 plus interest charged at an OEB approved rate.
- (vi) The Global Adjustment accounts for differences between the market price and rates paid to regulated and contracted generators and which is set by the IESO. This adjustment may be positive or negative. The Global Adjustment retail settlement variance captures the unpaid or recoverable amounts due to or recoverable from the Corporation's customers.

The Corporation has accrued interest on the deferral accounts for the regulatory assets and retail settlement variances, as directed by the OEB. As at December 31, 2005, this net accrued interest amounted to \$1,022 (2004 - \$3,702).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

4. Regulatory assets and liabilities (continued):

(b) Financial statement effects of rate regulation:

(i) General information regarding rate regulation and its economic effects:

The operations of the Corporation are regulated by the Ontario Energy Board ("OEB"). The OEB exercises statutory authority over matters such as construction, rates and underlying accounting practices, and rate setting issues with the Corporation's customers.

The Corporation has submitted a rate application to the OEB for the rate period beginning May 1, 2006 and ending on April 30, 2007. These rates are set by the OEB under a cost of service methodology that allows revenues to recover utility operating costs plus a regulated rate of return on the equity financed portion of the Corporation's rate base. The allowed rate of return for this rate period is set by the OEB at 9.0%. This application is currently under review by the OEB and a decision regarding distribution rates is expected in April 2006.

(ii) Regulatory risk and uncertainties affecting recovery or settlement:

The regulatory assets and liabilities recorded in the financial statements are based upon an expectation of the future actions of the OEB. To the extent that the OEB's future actions are different from the Corporation expectations, the timing and amount of recovery or settlement of amounts recorded on the statement of financial position could be significantly different from the timing and amounts that are eventually recovered or settled.

(iii) Financial statement effects:

In order to recognize the economic effects of the actions or expected actions of the regulator, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under GAAP for non rate-regulated entities.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

4. Regulatory assets and liabilities (continued):

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through the rate setting process. In the absence of rate regulated accounting, GAAP would not permit deferral of regulatory assets and therefore the earnings impact would be recorded in the period of recovery. Long-term regulatory assets are recorded in other assets in the Corporation's balance sheets.

Regulatory liabilities represent amounts that are expected to be refunded to customers as a result of the rate-setting process. The GAAP treatment of regulatory liabilities and the resulting earnings impact is the same as that under rate regulated accounting because the liabilities represent contractual obligations. Regulatory liabilities are recorded in current liabilities in the Corporation's balance sheets.

(c) Other items affected by rate regulation:

Future income taxes:

The Corporation is regulated recovers tax expense based on the taxes payable method as prescribed by the OEB. As such, the rates approved by the OEB do not include the recovery of future income taxes related to temporary differences. Consequently, the financial statements pertaining to the regulated do not include future income taxes as the future income taxes will be recovered in future rates when they become payable. GAAP requires the recognition of future income tax liabilities and future income tax assets in the absence of rate regulation.

5. Bonds payable:

	2005	2004
6.29% BPC-Enersource Series Bonds, Tranche 1, due May 3, 2011	\$ 290,000	\$ 290,000

Interest expense includes \$18,241 (2004 - \$18,241) in respect of interest on long-term liabilities and amortization of debt issue costs in the amount of \$434 (2004 - \$434).

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

6. Capital stock:

(a) Background:

Mississauga City Council approved a by-law, effective January 1, 2000, affecting the transfer of the electricity distribution business formerly conducted by the Mississauga Hydro-Electric Commission to the Corporation. The City received consideration in the form of a note receivable for \$150,000 and common shares in exchange, at the time of the transfer. On December 6, 2001, the City received further consideration in the form of a note receivable for \$119,214 and a dividend of \$20,785 when it exchanged shares issued on January 1, 2000 for shares of Enersource Corporation, the Corporation's parent. The transfers were recorded at net book value.

(b) Capital stock:

	2005	2004
Authorized:		
Unlimited common shares		
Issued:		
40 common shares	\$ 155,629	\$ 155,629

In 2005, the Corporation declared and paid a dividend to its shareholder in the amount of \$6,294 (2004 - \$25,742).

7. Change in non-cash operating working capital:

	2005	2004
Accounts receivable	\$ (5,648)	\$ (7,286)
Unbilled revenue	(13,291)	(4,781)
Amounts due to/from related parties	(941)	(320)
Inventory	(764)	603
Prepaid and deposits	(196)	(150)
Accounts payable and accrued liabilities	42,096	4,189
Payments in lieu of corporate income taxes payable	5,238	(4,365)
Advance payments - subdividers	(994)	(1,915)
Retail settlement variances	497	2,188
	\$ 25,997	\$ (11,837)

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

8. Employee retirement and post-retirement benefits:

(a) Pensions:

During fiscal 2005, employer contributions were \$1,335 (2004 - \$902). With the OEB's approval, the Corporation has deferred \$1,042 of its 2005 pension expense for recovery in future rates (2004 - \$874).

(b) Other retirement and post-retirement benefits:

	2005	2004
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 2,049	\$ 1,971
Service cost	32	30
Interest cost	133	122
Benefits paid	(74)	(74)
Benefit obligation, end of year	\$ 2,140	\$ 2,049
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ —	\$ —
Employers' contributions	74	74
Benefits paid	(74)	(74)
Fair value of plan assets, end of year	\$ —	\$ —
Discount rate	6.5%	6.5%
Expected return on plan assets	6.5%	6.5%
Rate of compensation increase	3.0%	3.5%

The principal funding obligation of the plan is to fund life insurance benefits based on employment date and years of service. A limited group of former employees who elected to retire under a special early retirement incentive plan are entitled to a continuation of health and dental premiums until age 65. Accordingly, based on the current participation profile, changes in health and dental care costs will not significantly impact the estimates of plan obligations. The total estimated plan obligation at December 31, 2005 is \$2,140 (2004 - \$2,049). There is no unamortized past service component.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

8. Employee retirement and post-retirement benefits (continued):

The amounts presented are based upon an actuarial valuation performed as of December 31, 2003 on March 15, 2004. The next valuation is expected to be performed for the year ended December 31, 2006.

The Corporation's net benefit expense is as follows:

	2005	2004
Current service cost	\$ 32	\$ 30
Interest cost	133	122
	<u>\$ 165</u>	<u>\$ 152</u>

9. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current coverage is provided to a level of \$30,000 per incident.

The Corporation has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

(b) Other claims:

A class action claiming \$500,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class, consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

9. Contingencies (continued):

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association is undertaking the defence of this class action. At this time, it is not possible to quantify the effect, if any, on the financial statements of the Corporation. It is the Corporation's position that any late payment charges that are required to be repaid to customers as a result of this class action would be included in a rate adjustment application to the OEB for full recovery.

On April 22, 2004, the Supreme Court of Canada released its decision in the case commenced against Enbridge Gas Distribution ("EGD") by a customer with respect to late payment penalties. The Supreme Court of Canada determined that EGD would be required to repay a portion of amounts paid to it as late payment penalties from April 1994. Any implications of the EGD decision in the Toronto Hydro class action cannot be determined at this time.

10. Commitments:

(a) Guarantees:

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on these guarantees if the Corporation failed to make payment required by a default notice issued by the IESO. The Corporation has provided the IESO with a letter of credit in the amount of \$16,618 (2004 - \$16,618).

(b) Commitments:

The Corporation leases equipment under operating lease agreements. The minimum lease payment due in 2006 under these agreements is \$7.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
 (In thousands of dollars)

Years ended December 31, 2005 and 2004

11. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, cash and cash equivalents held for consumer deposits, accounts payable and accrued liabilities, advance payments - subdividers, and amounts due to and from related parties approximate fair values because of the short maturity of these instruments.

The bonds payable, having a carrying value of \$290,000 (2004 - \$290,000), have a fair value of \$316,329 (2004 - \$317,538) based on year-end quoted market prices for similar debt. Financial assets held by the Corporation expose it to credit risk. As at December 31, 2005 and 2004, there were no significant concentrations of credit risk with respect to any class of financial assets. The Corporation earns its revenue from a broad base of customers located principally in Mississauga. No single customer would account for revenue or an accounts receivable balance in excess of 10% of the respective reported balances.

12. Related party transactions:

The Corporation provides electricity and services to the principal shareholder of its parent company, the City. Electrical and streetlighting energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Other construction services are provided at cost. A summary of amounts charged by the Corporation to the City is as follows:

	2005	2004
Electrical energy	\$ 7,572	\$ 8,787
Streetlighting energy	4,013	3,170

The Corporation charged the City \$439 for other construction services in 2005 (2004 - \$227).

The Corporation charged Borealis \$159 (2004 - nil) for consulting services in 2005. These transactions were recorded at the exchange amount, being the amount agreed to by the parties. At December 31, 2005, accounts receivable included \$24 (2004 - nil) due from Borealis.

During 2005, the Corporation was charged \$6,367 (2004 - \$4,608) by Enerpower, a company under common ownership, for construction of distribution infrastructure.

ENERSOURCE HYDRO MISSISSAUGA INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended December 31, 2005 and 2004

12. Related party transactions (continued):

At December 31, 2005, accounts payable and accrued liabilities include \$96 (2004 - \$76) due to the City and accounts receivable includes \$1,855 (2004 - \$297) due from the City.

Amounts due from related parties include \$53 (2004 - \$619) from a company under common control and nil (2004 - \$8) from the parent company.

Amounts due to related parties include \$355 (2004 - \$294) to a company under common control and \$832 to the parent company (2004 - \$2,408).

13. Energy purchases:

As a participant in the competitive electricity market, all electricity purchases for standard supply customers are subject to pricing determined by the IESO, a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2005 is \$64,832 (2004 - \$48,060) owed in respect of electricity purchases through the IESO.