

Fort Frances Power Corporation
Financial Statements
For the year ended December 31, 2002

Contents

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Auditors' Report

**To the Shareholders of
Fort Frances Power Corporation**

We have audited the balance sheet of the Fort Frances Power Corporation as at December 31, 2002, and the statements of operations and deficit 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 cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

Fort Frances, Ontario
March 07, 2003

Fort Frances Power Corporation Balance Sheet

| December 31 | 2002 | 2001 |
|---|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 382,831 | \$ 529,203 |
| Investments (Note 1) | 1,081,385 | 1,045,243 |
| Accounts receivable (Note 2) | 753,149 | 239,119 |
| Unbilled revenue | 683,027 | 356,017 |
| Inventory | 169,198 | 163,589 |
| Prepaid expense | 13,574 | 13,959 |
| | <u>3,083,164</u> | <u>2,347,130</u> |
| Capital assets (Note 3) | 3,813,210 | 4,021,210 |
| Other assets (Note 4) | 48,771 | 54,972 |
| | <u>\$ 6,945,145</u> | <u>\$ 6,423,312</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 5) | \$ 985,566 | \$ 559,387 |
| Customer deposits | 38,949 | 58,560 |
| Sick benefits payable | 124,901 | 103,966 |
| | <u>1,149,416</u> | <u>721,913</u> |
| Shareholders' equity | | |
| Share capital (Notes 6 & 7) | 5,807,391 | 5,807,391 |
| Deficit | (11,662) | (105,992) |
| | <u>5,795,729</u> | <u>5,701,399</u> |
| | <u>\$ 6,945,145</u> | <u>\$ 6,423,312</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Fort Frances Power Corporation Statement of Operations and Deficit

| For the year ended December 31 | 2002 | 2001 |
|---|--------------------|---------------------|
| Service revenue | | |
| Residential | \$ 2,749,468 | \$ 2,415,750 |
| General | 2,534,693 | 2,281,379 |
| Street lighting | 68,767 | 68,905 |
| Reconnection charges | 7,747 | 3,864 |
| | <u>5,360,675</u> | <u>4,769,898</u> |
| Cost of power | | |
| Power purchased | <u>4,103,944</u> | <u>3,697,913</u> |
| Gross margin on service revenue | 1,256,731 | 1,071,985 |
| Other operating revenue (Note 8) | <u>137,754</u> | <u>182,780</u> |
| | <u>1,394,485</u> | <u>1,254,765</u> |
| Operating and maintenance expense | | |
| High voltage transformation distribution | 252,419 | 248,069 |
| Billing and collection | 37,716 | 96,924 |
| General and administrative expense | 662,973 | 531,422 |
| Amortization | 328,189 | 323,105 |
| Interest | <u>197</u> | <u>1,050</u> |
| | <u>1,281,494</u> | <u>1,200,570</u> |
| Net income before the following | 112,991 | 54,195 |
| Gain (loss) on disposal of assets | <u>(18,661)</u> | <u>10,000</u> |
| Net income for the year | 94,330 | 64,195 |
| Deficit, beginning of year | <u>(105,992)</u> | <u>(170,187)</u> |
| Deficit, end of year | <u>\$ (11,662)</u> | <u>\$ (105,992)</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Fort Frances Power Corporation Statement of Cash Flows

| For the year ended December 31 | 2002 | 2001 |
|--|---------------------|---------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net income for the year | \$ 94,330 | \$ 64,195 |
| Items not involving cash | | |
| Amortization | 328,189 | 323,105 |
| Gain on disposal of capital asset | - | (10,000) |
| | <u>422,519</u> | <u>377,300</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (514,030) | 225,854 |
| Unbilled revenue | (327,010) | (44,782) |
| Inventory | (5,609) | 11,001 |
| Prepaid | 385 | (5,592) |
| Accounts payable | 426,179 | (162,771) |
| Sick benefits | 20,935 | 103,966 |
| | <u>23,369</u> | <u>504,976</u> |
| Investing activities | | |
| Net increase in capital assets | (113,988) | (239,888) |
| Financing activities | | |
| Increase (decrease) in customer deposits held | (19,611) | (646) |
| Increase (decrease) in cash during the year | <u>(110,230)</u> | <u>264,442</u> |
| Cash, beginning of year | <u>1,574,446</u> | <u>1,310,004</u> |
| Cash, end of year | <u>\$ 1,464,216</u> | <u>\$ 1,574,446</u> |
| Represented by | | |
| Cash | \$ 382,831 | \$ 529,203 |
| Investments | <u>1,081,385</u> | <u>1,045,243</u> |
| | <u>\$ 1,464,216</u> | <u>\$ 1,574,446</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Fort Frances Power Corporation Summary of Significant Accounting Policies

December 31, 2002

| | |
|-----------------------|--|
| Nature of Business | The Corporation is incorporated under the laws of Ontario and is engaged in the distribution of retail electricity. |
| Regulation | <p>The <i>Energy Competition Act, 1998</i> (the "Act") was given Royal Assent on October 30, 1998. The Act provides for a competitive market in the sale of electricity and the regulation of the monopoly electricity delivery system in the Province of Ontario (the "Province") by the Ontario Energy Board (the "OEB"). Electricity retailers began competing for customers as of March 1, 2000. On May 1, 2002, with the electricity market opening, or "Open Access", electricity retailers, including Energy Services, began to sell electricity.</p> <p>The OEB has regulatory oversight of electricity matters in the Province of Ontario. The act sets out the OEB's powers to issue a distribution licence which must be obtained by any person owning or operating a distribution system under the <i>Ontario Energy Board Act, 1998</i>. The OEB may prescribe licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, separation of accounts for separate businesses and filing/process requirements for rate-setting purposes.</p> <p>The <i>Ontario Energy Board Act, 1998</i> gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.</p> <p>In December 2002, the Province passed the <i>Electricity Pricing, Conservation and Supply Act, 2002</i> ("bill 210") which among other things;</p> <ul style="list-style-type: none">(a) fixed the price of electricity paid by low volume and designated consumers at 4.3 cents per kWh (retroactive to May 1, 2002); and(b) capped distribution rates at current levels and deferred further rate increases and certain cost recoveries during the Rate Cap Period. <p>The "Rate Cap Period" refers to the period during which the rate cap system provided for under Bill 210 is in effect. During the Rate Cap Period, an application to the OEB for a new distribution rate order may be only with the written approval of the Minister of Energy. The Rate Cap Period is expected to continue until at least May 1, 2006.</p> |
| Financial Instruments | The Corporation's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and customer deposits. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. |

Fort Frances Power Corporation Summary of Significant Accounting Policies

December 31, 2002

| | | | | | | | | | | | | | |
|---|---|----------------------|---------------------------|---|-------------------------------|-----------------|---------------------------|---------------------------------|-----------------------------------|----------------------|-------------------------------|------------------|---------------------------|
| Inventory | Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis. | | | | | | | | | | | | |
| Capital Assets | Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is as follows: <table><tr><td>Buildings</td><td>- 3% straight line basis</td></tr><tr><td>Transmission and distribution equipment</td><td>- various straight line basis</td></tr><tr><td>Other equipment</td><td>- 10% straight line basis</td></tr><tr><td>Computer equipment and software</td><td>- 20 and 100% straight line basis</td></tr><tr><td>Automotive equipment</td><td>- various straight line basis</td></tr><tr><td>Office equipment</td><td>- 10% straight line basis</td></tr></table> | Buildings | - 3% straight line basis | Transmission and distribution equipment | - various straight line basis | Other equipment | - 10% straight line basis | Computer equipment and software | - 20 and 100% straight line basis | Automotive equipment | - various straight line basis | Office equipment | - 10% straight line basis |
| Buildings | - 3% straight line basis | | | | | | | | | | | | |
| Transmission and distribution equipment | - various straight line basis | | | | | | | | | | | | |
| Other equipment | - 10% straight line basis | | | | | | | | | | | | |
| Computer equipment and software | - 20 and 100% straight line basis | | | | | | | | | | | | |
| Automotive equipment | - various straight line basis | | | | | | | | | | | | |
| Office equipment | - 10% straight line basis | | | | | | | | | | | | |
| Other Assets | Other assets are recorded at cost. Amortization is provided as follows: <table><tr><td>Organization expense</td><td>- 10% straight line basis</td></tr></table> | Organization expense | - 10% straight line basis | | | | | | | | | | |
| Organization expense | - 10% straight line basis | | | | | | | | | | | | |
| Cash and Cash Equivalents | Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments and bond funds with maturities of three months or less. | | | | | | | | | | | | |
| Revenue Recognition | Revenue from the sale of electricity is recorded on a basis of cyclical billings and also includes unbilled revenue accrued in respect of electricity delivered but not yet billed. | | | | | | | | | | | | |
| Customer deposits | Customers' deposits are cash collections from customers to guarantee the payment of energy bills. Deposits expected to be refunded within the next fiscal year are classified as a current liability. | | | | | | | | | | | | |
| Use of Estimates | The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenue and expenses for the year. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance. | | | | | | | | | | | | |

Fort Frances Power Corporation

Notes to Financial Statements

December 31, 2002

1. Investments

Investments are recorded at the lower of cost or market value and are made up as follows:

| | 2002 | 2001 |
|---|--------------|--------------|
| Money market and bond mutual funds | \$ 1,081,385 | \$ 1,045,243 |
| Investments are held in money markets and bond funds. | | |
| Cost of investments | \$ 1,081,385 | \$ 1,058,157 |

2. Accounts Receivable

| | 2002 | 2001 |
|-------------------|------------|------------|
| Electrical energy | \$ 451,333 | \$ 178,625 |
| Own municipality | 258,040 | 7,528 |
| Sundry | 43,776 | 52,966 |
| | \$ 753,149 | \$ 239,119 |

3. Capital Assets

| | 2002 | | | 2001 |
|--|--------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | \$ 100,000 | \$ - | \$ 100,000 | \$ 100,000 |
| Buildings | 1,068,548 | 880,510 | 188,038 | 197,324 |
| Transmission and distribution equipment | 6,921,338 | 3,550,653 | 3,370,685 | 3,556,004 |
| Other equipment | 93,689 | 80,104 | 13,585 | 14,182 |
| Automotive equipment | 527,933 | 401,172 | 126,761 | 137,144 |
| Computer equipment and software | 42,545 | 37,011 | 5,534 | 7,267 |
| Office equipment | 77,594 | 68,987 | 8,607 | 9,289 |
| | \$ 8,831,647 | \$ 5,018,437 | \$ 3,813,210 | \$ 4,021,210 |

Fort Frances Power Corporation Notes to Financial Statements

December 31, 2002

4. Other Assets

| | 2002 | 2001 |
|--------------------------|------------------|------------------|
| Organization costs | \$ 62,010 | \$ 62,010 |
| Accumulated amortization | 13,239 | 7,038 |
| | <u>\$ 48,771</u> | <u>\$ 54,972</u> |

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes an accrual in the amount of 2002 - \$369,423 (2001 - Nil). This represents the identified surplus for the year ending December 31, 2002 as a result of the power agreement. This surplus is to be dispensed to the ratepayers in the form of a credit rebate subsequent to year end.

6. Industry Restructuring

The Ontario Government enacted the *Energy Competition Act, 1998* to introduce competition to the Ontario electricity market by the year 2000. Under the terms of this legislation, the Ontario Energy Board (the "OEB") will regulate industry participants by issuing licences for the right to generate, transmit, distribute or retail electricity. These licences will require compliance with established market rules and codes.

Pursuant to this legislation, the Town of Fort Frances, as owners of the Commission, enacted a By-Law on November 6, 2000, to authorize the transfer of assets, liabilities and equity to Fort Frances Power Corporation created for the purpose of continuing the distributing activities of the Commission.

The transfer price was at fair market value and was financed as follows:

| | 2002 | 2001 |
|---|---------------------|---------------------|
| Issue of 5,807,391 Class A common shares at \$1 per share | <u>\$ 5,807,391</u> | <u>\$ 5,807,391</u> |

7. Share Capital

The authorized share capital of the corporation is an unlimited number of common shares.

Issued share capital is as follows:

| | 2002 | 2001 |
|-------------------------|---------------------|---------------------|
| 5,807,391 Common shares | <u>\$ 5,807,391</u> | <u>\$ 5,807,391</u> |

Fort Frances Power Corporation Notes to Financial Statements

December 31, 2002

8. Other Operating Revenue

| | 2002 | 2001 |
|-----------------------|-------------------|-------------------|
| Interest earned | \$ 60,040 | \$ 67,134 |
| Late payment charges | 26,636 | 36,128 |
| Pole rentals | 13,368 | 20,756 |
| Miscellaneous revenue | 37,710 | 58,762 |
| | <u>\$ 137,754</u> | <u>\$ 182,780</u> |

9. Related Party Transactions

Fort Frances Power Corporation and Fort Frances Network Services are related by common ownership.

| | 2002 | 2001 |
|--|-----------|----------|
| Sales to Fort Frances Network Services | \$ 12,926 | \$ 7,264 |

10. Credit Facilities

Fort Frances Power Corporation is party to a short-term credit facility with a Canadian Chartered Bank pursuant to which the corporation could borrow up to \$480,000 in the form of an operating loan. The amount drawn under the credit facility as at December 31, 2002 was \$nil.

11. Financial Guarantees

Participants in the wholesale market for electricity that is administered by the Independent Electricity Market Operator are required to satisfy prescribed prudential requirements.

During the year the corporation became party to an irrevocable standby letter of credit with a Canadian Chartered Bank. The credit amounts to 2002 - \$517,117 (2001 - \$nil).

Fort Frances Power Corporation Notes to Financial Statements

December 31, 2002

12. Power Agreement

Since 1905, residents of Fort Frances have enjoyed historically low electricity rates. This energy benefit is attributed to a highly beneficial and long-term power procurement agreement between the Town and a local pulp and paper mill, today owned by Abitibi-Consolidated Inc.

At one time all the Town's electrical needs were provided for by this agreement until a successful legal challenge by the mill in 1983 capped the benefit at 3 MW at the original rate. This still covers between 30 - 33% of the Town's electrical needs and continues to be very favorable for the Fort Frances rate payers. Fort Frances still lays claim to the lowest electrical rates in the Province.

The relevant power procurement contract with the Mill dated back to January 9, 1905. This continues to be valid and binding contract, as confirmed by the Supreme Court of Canada in 1983 (Fort Frances (Town) vs. Boise Cascade Canada Ltd., (1983) 1 S.C.R. 171).

Prior to deregulation in May 2002, the newly formed Fort Frances Power Corporation applied for an exemption from the Standard Supply Service (SSS) code in order to effectively pass on the continuing benefits of the power agreement. In the past, Fort Frances Public Utilities Commission rates were a blend of the current Ontario Hydro rate and the Mill rate. Going forward, OEB regulations necessitated the implementation of a fully unbundled electrical bill that specifically showed the pure price of the commodity. In order to meet this requirement and pass on the power agreement benefit, Fort Frances Power Corporation gained OEB approval for a mechanism known as the power agreement credit. This credit is currently set at 1.23 cents for every kWh consumed.

Ontario Energy
Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie
de l'Ontario
C.P. 2319
26e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY PRIORITY POST

2002 March 14

Mark McCaig
Business & Technical administrator
Fort Frances Power Corporation
P.O. Box 38
Fort Frances, ON
P9A 3M5

Dear Mr. McCaig:

**Re: Fort Frances Power Corporation
Market Adjusted Rate of Return (MARR) Application
Board File No. RP-2002-0031/EB-2002-0040**

The Board has today issued its Decision and Order in the above matter and an executed copy is enclosed herewith.

Yours truly,

Peter H. O'Dell
Assistant Board Secretary

encl.

c. J. McQuarrie



RP-2002-0031
EB-2002-0040

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 Fort
Frances Power Corporation 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.

Fort Frances Power Corporation ("the Applicant") filed an Application ("the Application"), dated January 15, 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 22, 2002.

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 not named in any of the 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. One submission was received requesting a copy of the Board's Order when it is issued and a copy of any further notices of this proceeding.

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 2001 deferred Payments in Lieu of Taxes (PILs), \$10,583.
- the 2002 Payments in Lieu of Taxes (PILs), \$19,956. = 19507
+ 449
- a change in the Applicant's late payment penalty from 5% to 1.5% and a provision for the revenue losses incurred by this change, \$16,773.

The Applicant requested to defer the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR) of \$47,623.

Subsequently, in response to Board staff enquires, the Applicant confirmed that it would forego, not defer, this incremental revenue.

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.

The Board adjusts the 2002 CCA opening balance to reflect the declining balance methodology. As a result, the 2002 Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an understatement of \$449.

*Not Reflected
in Approved Rates*

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, March 14, 2002.

ONTARIO ENERGY BOARD




Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2002-0031
EB-2002-0040

March 14, 2002

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Board Secretary

Fort Frances Power Corporation
Schedule of Rates and Charges
Effective March 1, 2002

RP-2002-0031
EB-2002-0040

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) | \$9.88 |
| Distribution Volumetric Rate | (per kWh) | \$0.0067 |
| Cost of Power Rate | (per kWh) | \$0.0509 |

GENERAL SERVICE < 50 KW

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$23.43 |
| Distribution Volumetric Rate | (per kWh) | \$0.0049 |
| Cost of Power Rate | (per kWh) | \$0.0503 |

GENERAL SERVICE > 50 KW (Non Time of Use)

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$192.19 |
| Distribution Volumetric Rate | (per kW) | \$2.6946 |
| Cost of Power Demand Rate | (per kW) | \$4.5804 |
| Cost of Power Energy Rate | (per kWh) | \$0.0361 |

STREET LIGHTING (Non Time of Use)

| | | |
|------------------------------|------------------|-----------|
| Monthly Service Charge | (per connection) | \$0.96 |
| Distribution Volumetric Rate | (per kW) | \$2.3232 |
| Cost of Power Demand Rate | (per kW) | \$15.6534 |

SPECIFIC SERVICE CHARGES

Customer Administration:

New Account Setup \$ 7.20

Non-Payment of Account:

| | | |
|---------------------|-------------|--------|
| Late Payment Charge | (per month) | 1.5% |
| | (per annum) | 19.56% |

Fort Frances Power Corporation
Schedule of Rates and Charges - Page 2
Effective March 1, 2002

RP-2002-0031
EB-2002-0040

| | | |
|--|----|------|
| Disconnect/Reconnect Charges (non payment of account) At Meter - during regular working hours | \$ | 6.40 |
| Disconnection/Reconnect Service During Working Hours | \$ | 7.20 |
| Transformer Allowance for ownership (per KW of billing demand) | \$ | 0.60 |



Ministry of Finance
PO Box 620 (CT)
33 King Street West
Oshawa ON L1H 8E9

X X X X X X X X X X X X

Account No
7110010

Taxation Year End: (YYYYMMDD)

35S
PX2003

Payment Amount: \$.

FORT FRANCES POWER CORPORATION
320 PORTAGE AVENUE
FORT FRANCES ON
P9A 3P9

Taxation Year End: (YYYYMMDD) 2 0 0 2 0 5 3 1

Payment Amount: \$.

Total Payment Enclosed: \$.

11 CT 20020531 1180186116 001 8

111112 2391 000957 11 96



Ministry of Finance
Corporations Tax Branch

Keep this portion for your records.

Statement of Account

for transactions up to and including 2001/06/08

Account No. Statement Date

FORT FRANCES POWER CORPORATION **7110010** 2001/06/08

Page 1 of 1

TRANSACTIONS BY ASSESSED TAXATION YEAR

TRANSACTIONS BY UNASSESSED TAXATION YEAR

| EFFECTIVE DATE | ID NUMBER | DESCRIPTION | AMOUNT | BALANCE |
|----------------|-----------|---------------------------------|-------------|---------|
| | | OPENING BALANCE FOR: 2001/05/31 | <u>0.00</u> | |
| BALANCE | | | 0.00 | |
| | | OPENING BALANCE FOR: 2002/05/31 | <u>0.00</u> | |
| BALANCE | | | 0.00 | |

A balance of tax payment is required 2 or 3 months after the taxation period end. The return is due 6 months after the taxation period.

ENQUIRIES: CTB 33 KING ST. W.; PO BOX 622, OSHAWA, ON. L1H 8H6
TAX (RE)ASSESSMENT ENQUIRIES: ACCOUNT BILLING ENQUIRIES:
OSHAWA AND LOCAL (905)433-6559 OSHAWA AND LOCAL (905)433-6708
TORONTO (416)920-9048 EXT.6559 TORONTO (416)920-9048 EXT.3036
FAX (905)433-6998 FAX (905)433-5197
TOLL FREE:1-800-262-0784 EXT.6559 TOLL FREE:1-800-262-0784 EXT.3036

F 13



Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998

Corporations Tax Act, R.S.O. 1990

Account No
1800090

35 A
PX5000

FORT FRANCES POWER CORPORATION
MARK MCCAIG
320 PORTAGE AVE

FORT FRANCES ON
P9A 3P9

Taxation Year End: (YYYYMMDD)

Payment Amount: \$

Taxation Year End: (YYYYMMDD)

Payment Amount: \$

Total Payment
Enclosed: \$



Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Keep this portion for your records.

Statement of Account

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
for transactions up to and including 2002/07/10

FORT FRANCES POWER CORPORATION

Account No.

1800090

Statement Date
(year, month, day)

2002/07/10

Page

1 of 1

TRANSACTIONS BY ASSESSED TAXATION YEAR

TRANSACTIONS BY UNASSESSED TAXATION YEAR

| EFFECTIVE DATE | ID NUMBER | DESCRIPTION | AMOUNT | BALANCE |
|----------------|-----------|---------------------------------|----------|---------|
| 2002/01/11 | | OPENING BALANCE FOR: 2001/12/31 | 0.00 | |
| 2002/07/05 | 1 | PIL payment | 634.00CR | |
| | | BALANCE | 634.00CR | |
| 2002/01/11 | | OPENING BALANCE FOR: 2002/12/31 | 0.00 | |
| | | BALANCE | 0.00 | |

The 2001 Ontario Budget simplified instalment requirements for corporations with total tax payable in the current or preceding year of \$2,000 or more and less than \$10,000. For tax years commencing after 2001, these corporations may now pay quarterly instalments.

AUG 4/02 \$634.00 TOTAL REMITTANCE FOR 2001.
2002 REMITTANCE DEPENDENT ON 2002 TAXES. / J. SPENCE - DOWNSIDE

Tax (Re)Assessment Enquiries:

- Toronto (416) 730-5585
- FAX (416) 730-5593

Account Billing Enquiries & Change of Address Information:

- Oshawa and Local (905) 433-6708
- Toll-Free 1-800-262-0784 ext 3036
- Toronto (416) 920-9048 ext 3036
- FAX (905) 433-5197

8748988 (807) 274 9291

1867 039 0295

| | | | |
|---|-----------------|------------------------------------|------|
| SENDER (FROM) / EXPÉDITEUR (DE) | | MO DY/JR YR/AN | |
| FORT FRANCES POWER CORP | | 10/03/03 | |
| STREET ADDRESS / ADRESSE (N° ET RUE) | | | |
| 320 PORTAGE AVE | | | |
| CITY / VILLE | PROV/STATE/ETAT | POSTAL / ZIP | |
| FT FRANCES | ONT. | P9A 3P9 | |
| RECEIVER (TO) / DESTINATAIRE (A) | | | |
| MINISTRY OF FINANCE | | | |
| CORPORATIONS TAX BRANCH | | | |
| 33 KING STREET WEST | | | |
| CITY / VILLE | PROV/STATE/ETAT | POSTAL / ZIP | |
| OSHAWA ON | | L1H 8E9 | |
| ATTN: (NAME / DEPT.) / À L'ATTENTION DE (NOM / SERVICE) | | IMPORTANT - TELEPHONE | |
| | | (905) 433-6708 | |
| DESCRIPTION (INCLUDING DANGEROUS GOODS / INCLUANT MARCHANDISES DANGEREUSES) | | | |
| SENDER REFERENCE (IF ANY) / REF. DE L'EXPÉD. | | | |
| 42508846 | | PICK UP / CUEILLETTE - N° DE CONF. | 0002 |
| SENDER SIGNATURE / SIGNATURE DE L'EXPÉDITEUR | | | |
| X <i>A. Kotoski</i> X | | | |

| | | | |
|---|--|--|--|
| AIR AERIEN <input checked="" type="checkbox"/> | | GROUND ROUTER <input type="checkbox"/> | |
| PKG / EMBAL. | | SERVICE | |
| PURD-LETTER <input checked="" type="checkbox"/> | | 9 AM <input type="checkbox"/> | |
| PURD-PK <input type="checkbox"/> | | 10:30 AM <input type="checkbox"/> | |
| OTHER AUTRE <input type="checkbox"/> | | SATURDAY SAMEDI <input type="checkbox"/> | |
| PAYMENT / PAIEMENT | | THIRD PARTY ACCT. NO. / N° DE COMPTE DU TIERS | |
| CASH COMPTANT <input type="checkbox"/> | | 3rd PARTY TIERS <input type="checkbox"/> | |
| CREDIT CARD CARTE DE CREDIT <input type="checkbox"/> | | THIRD PARTY BILLING NAME & ADDRESS / FACTURATION À UN TIERS (NOM & ADRESSE) | |
| SHIPMENT / DETAILS / EXPEDITION | | LIMITATION OF LIABILITY - IMPORTANT - PLEASE READ | |
| #Nbre PCS (4 MAXIMUM) | | THE AMOUNT OF ANY LOSS OR DAMAGE FOR WHICH THE CARRIER MAY BE LIABLE SHALL NOT EXCEED \$2.00 PER POUND (0.9 kg) PER KILOGRAM COMPUTED ON THE TOTAL WEIGHT OF THE SHIPMENT UNLESS A HIGHER VALUE IS DECLARED ON THE PAGE OF THE BILL OF LADING BY THE CONSIGNOR (SENDER). MAXIMUM DECLARED VALUE SHALL NOT EXCEED \$5,000. N.B. NOTE CAREFULLY CONDITIONS ON BACK HEREOF INCLUDING LIMITATIONS AND EXCLUSIONS OF CARRIER'S LIABILITY, WHICH ARE HEREBY ACCEPTED. | |
| WEIGHT / POIDS SUBJ. TO CORR. / SUJET À CORR. | | LE MONTANT DE TOUTE PERTE OU DOMMAGE DONT LE TRANSPORTEUR POURRAIT ÊTRE RESPONSABLE NE DOIT PAS EXCÉDER 2.00 \$ LA LIVRE (0.9 kg) \$ LE KILOGRAMME, CALCULÉ SUR LE POIDS TOTAL DE L'EXPÉDITION, À MOINS D'UNE VALEUR SUPÉRIEURE N'AIT ÉTÉ DÉCLARÉE SUR LE RECTO DU CONNaissement PAR L'EXPÉDITEUR LA VALEUR DÉCLARÉE MAXIMALE NE DÉPASSERA PAS \$5,000. N.B. VEUILLEZ PRENDRE CONNAILLANCE DES CONDITIONS AU VERSO, Y COMPRIS LES LIMITATIONS ET EXCLUSIONS DE RESPONSABILITÉ DU TRANSPORTEUR, QUI SONT ACCEPTÉES PAR LES PRÉSENTES. | |
| DECLARED VALUE / VALEUR DÉCLARÉE (SUPPLEMENT AU-DESSUS DE 100 \$) | | PLEASE REFER TO BILL OF LADING NUMBER FOR SHIPMENT STATUS / INQUIRIES. POUR TOUT RENSEIGNEMENT, VEUILLEZ NOUS COMMUNIQUER LE NUMÉRO DE CONNAILLANCEMENT. | |
| \$ | | | |



Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2002/01/01 to 2002/12/31

FORT FRANCES POWER CORPORATION

ASSESSMENT NO. 4

| Account No. | Assessment Date (year, month, day) | Page |
|-------------|------------------------------------|--------|
| 1800090 | 2003/09/23 | 1 of 1 |

Tax: Federal and Provincial PIL
Penalty - Late Filing
Assessment Interest

Total Assessment Liability

49,380.00 ✓
3,029.74
1,589.13
53,998.87

SUMMARY OF 2002/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

49,380.00CR

Sub-Total

TAXATION YEAR BALANCE DUE **

49,380.00CR
4,618.87

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

Total tax assessed as per company estimate

**Remember to include additional interest due with your payment. Interest on the balance is compounded daily from the date of this Notice/Statement until payment is received by the Ontario Electricity Financial Corporation (OEFC). The current interest rate is 0.0219178%.

Payable Oct3/03 E. 6100.6105...

4629.00
4618.87