

NIAGARA-ON-THE-LAKE HYDRO INC.

Financial Statements

December 31, 2004

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Crawford, Smith and Swallow
Chartered Accountants LLP

4741 Queen Street
Niagara Falls, Ontario
L2E 2M2
Telephone (905) 356-4200
Telecopier (905) 356-3410

*crawford
smith &
swallow*

Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario

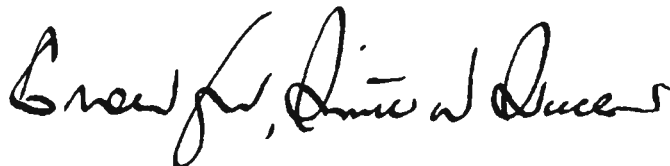
AUDITORS' REPORT

To the Board Members and Shareholder
of Niagara-on-the-Lake Hydro Inc.

We have audited the balance sheet of Niagara-on-the-Lake Hydro Inc. as at December 31, 2004 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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



Niagara Falls, Ontario
April 22, 2005

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

NIAGARA-ON-THE-LAKE HYDRO INC.

BALANCE SHEET

December 31, 2004

Assets - notes 8 and 16	2004	2003
	\$	\$
Current Assets		
Cash and cash equivalents	320,745	
Accounts receivable	1,364,759	1,230,954
Unbilled revenue	1,653,730	1,246,226
Refundable payments in lieu of taxes		89,602
Due from affiliated companies - note 2	152,095	19,786
Note receivable - note 3	298,750	130,000
Inventories	154,312	158,011
Prepaid expenses	67,207	69,050
	4,011,598	2,943,629
Capital Assets		
Land	187,798	187,798
Buildings	844,853	820,333
Transformer stations	2,707,538	2,708,439
Distribution stations	242,132	284,701
Distribution overhead lines	8,794,357	8,473,461
Distribution underground lines	8,356,808	7,934,013
Distribution transformers	4,671,814	4,544,103
Distribution meters	930,800	879,031
Equipment	2,558,375	2,231,886
Other	25,038	25,038
	29,319,513	28,088,803
Less accumulated amortization	12,700,807	11,637,741
	16,618,706	16,451,062
Other Assets		
Regulatory assets - note 5	4,006	730,302
Special deposits	214,335	130,127
Long-term investments- note 6	49,884	46,231
	268,225	906,660
	20,898,529	20,301,351

See accompanying notes

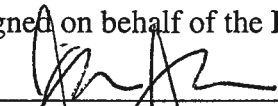
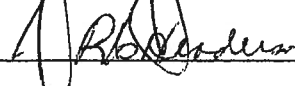
NIAGARA-ON-THE-LAKE HYDRO INC.

BALANCE SHEET

December 31, 2004

Liabilities and Shareholder's Equity	2004 \$	2003 \$
Current Liabilities		
Bank indebtedness		66,973
Demand instalment loan - note 8	2,630,760	2,758,764
Accounts payable		
Trade	619,371	317,215
Independent Market Operator payable	998,547	748,853
Hydro One payable	136,724	125,114
Payments in lieu of taxes payable	87,398	
Other current liabilities	448,415	414,140
	4,921,215	4,431,059
Other Liabilities		
Employee future benefits - note 7	431,854	415,345
Customer deposits	214,335	130,127
Accumulated vested sick leave credits	19,611	19,361
Other deposits	39,848	39,848
Deferred charges - HVDS - note 18	90,790	787,504
	1,596,188	1,392,185
Long-Term Note Payable - note 9	6,901,333	6,901,333
Contingent Liabilities - notes 14 and 16		
Shareholder's Equity		
Share capital - note 10	2,632,307	2,632,307
Paid-up capital	4,269,026	4,269,026
Retained earnings	578,460	675,441
	7,479,793	7,576,774
	20,888,529	20,301,351

Signed on behalf of the Board:

 Director
 Director

See accompanying notes

NIAGARA-ON-THE-LAKE HYDRO INC.
STATEMENT OF RETAINED EARNINGS
for the year ended December 31, 2004

	2004	2003
	\$	\$
Retained Earnings, Beginning of Year	675,441	248,928
Net Income (Loss) for the Year	(96,981)	426,513
Retained Earnings, End of Year	578,460	675,441

See accompanying notes

NIAGARA-ON-THE-LAKE HYDRO INC.

STATEMENT OF OPERATIONS

for the year ended December 31, 2004

	2004 \$	2003 \$
Service Revenue		
Residential energy	4,498,726	4,122,213
General <50 energy	2,565,448	2,400,142
General >50 energy	4,206,334	4,272,627
Street lighting energy	70,453	62,494
Sentinel lighting energy	13,880	11,761
Sales for retailers	675,124	616,158
Non-competitive charges	2,545,573	2,782,740
Transformation services	59,626	33,299
	14,635,164	14,301,434
Cost of Power		
Power purchased	11,451,066	11,200,473
Gross Margin	3,184,098	3,100,961
Other Income		
Administration expense recovery	4,148	3,654
Other revenue	106,208	189,714
Interest income	16,635	26,415
	126,991	219,783
	3,311,089	3,320,744
Other Expenditure		
Distribution operations	612,760	534,572
Billing and collection	294,158	313,858
General administration	568,627	526,018
Financial expense	678,861	593,140
Amortization - note 15(a)	1,074,164	916,470
	3,228,570	2,884,058
Net Income Before Payments in Lieu of Taxes	82,519	436,686
Payments in Lieu of Taxes	179,500	10,173
Net Income (Loss) for the Year	(96,981)	426,513

See accompanying notes

NIAGARA-ON-THE-LAKE HYDRO INC.

STATEMENT OF CASH FLOWS

for the year ended December 31, 2004

	2004 \$	2003 \$
Operating Activities		
Net income (loss) for the year	(96,981)	426,513
Amortization - note 15(a)	1,131,385	1,000,229
Loss (gain) on disposal of capital assets	11,995	(57,154)
Working capital provided by operations	1,046,399	1,369,588
Changes in non-cash working capital components - note 11 (a)	(190,095)	2,430,050
Funds provided by operating activities	856,304	3,799,638
Investing Activities		
Proceeds on disposal of capital assets		57,952
Additions to capital assets - note 11(b)	(1,311,024)	(3,994,687)
Decrease (increase) in regulatory assets - note 5	726,296	(289,182)
Increase in special deposits	(84,208)	(15,884)
Increase in long-term investment	(3,653)	(10,231)
Funds used by investing activities	(672,589)	(4,252,032)
Other Activities		
Increase in future employee benefits	16,509	34,777
Increase in customer deposits	84,208	15,884
Decrease in other deposits		(6,963)
Increase in deferred charges - HVDS	103,286	787,504
Funds provided by other activities	204,003	831,202
Increase in Cash and Cash Equivalents	387,718	378,808
Cash and Cash Equivalents, Beginning of Year	(66,973)	(445,781)
Cash and Cash Equivalents, End of Year	320,745	(66,973)

See accompanying notes

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

Incorporation

On July 1, 2000, Niagara-on-the-Lake Hydro Inc. was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Niagara-on-the-Lake Energy Inc. and Energy Services Niagara Inc. The incorporation was pursuant to the provisions of the Energy Competition Act, 1998.

1. Accounting Policies

These financial statements of Niagara-on-the-Lake Hydro Inc. have been prepared in accordance with Canadian generally accepted accounting principles. The company is a wholly-owned subsidiary of Niagara-on-the-Lake Energy Inc.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the year. Actual results could differ from estimates, including changes as a result of future decisions made by the Ontario Energy Board ("OEB") or the Minister of Energy.

Cash and cash equivalents

Cash equivalents are readily convertible investments with maturities of three months or less. Investments are recorded at the lower of cost and market.

Inventories

Inventory is valued at average cost with allowances for obsolete stock.

Capital assets

Capital assets are stated at cost and removed from the accounts when disposed or retired. Costs of assets which are pooled are removed from the accounts at the end of their estimated average service lives. Gains or losses at retirement or disposition of such assets are credited or charged to other income.

Amortization is provided for capital assets using the straight-line method based on the following estimated service lives:

Buildings	25 to 50 years
Transformer station	25 years
Distribution stations	30 years
Distribution lines	25 years
Distribution transformers and meters	25 years
Other capital assets	3 to 15 years
Intangible assets	20 years

Other assets

Expenditures made which may benefit future periods are recorded as other assets. See Regulatory Assets, note 5.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

1. Accounting Policies - continued

Investment

The company's investment in a limited liability partnership is accounted for using the equity method. The initial investment is recorded at cost and the carrying value adjusted thereafter to include the pro-rata share of income and losses.

Paid-up capital

Paid-up capital reflects the balance of capital contributions received by the former Niagara-on-the-Lake Hydro-Electric Commission prior to January 1, 2000

Revenue recognition

Service revenue is recorded as revenue in the period to which it relates. Service revenue from the sale of electrical energy includes an estimated accrual for power supplied but not billed to customers from the last meter reading date to the year end. The impact of the year end change in this estimated accrual is included in service revenue in the Statement of Operations.

Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of electricity bills. Deposits expected to be refunded to customers within the next fiscal period are classified as a current liability.

Employee future benefits

The company pays certain medical, dental and life insurance benefits on behalf of its retired employees. The company recognizes these post-retirement costs in the period in which the employees rendered the services. The excess of net actuarial gains (losses) over 10% of the actual benefit obligation are amortized over the expected average remaining service life of the active employees. See note 7.

Capitalized interest

The company capitalizes an amount of interest on all funds expended and deferred as regulatory assets. See note 15(b).

Payments in lieu of taxes and capital taxes

Under the Electricity Act, 1998, the company is required to make payments in lieu of 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.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

1. Accounting Policies - continued

Payments in lieu of taxes and capital taxes - continued

The company provides for payments in lieu of taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future payments in lieu of taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future payments in lieu of taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of Niagara-on-the-Lake Hydro Inc.

2. Due From Affiliated Companies

	2004	2003
	\$	\$
Niagara-on-the-Lake Energy Inc.	17,992	13,468
Energy Services Niagara Inc.	134,103	6,318
	152,095	19,786

Balances are non-interest bearing with no fixed terms of repayment.

3. Note Receivable

The company has a note receivable due from Energy Services Niagara Inc. The note receivable bears interest at 7.25% with no fixed terms of repayment. Interest received for the year amounted to \$ 19,620.

4. Related Party Transactions

During the period, Niagara-on-the-Lake Hydro Inc. provided operation and administration services to its affiliates in the normal course of business in the following amounts:

	2004	2003
	\$	\$
Niagara-on-the-Lake Energy Inc.		90
Energy Services Niagara Inc.	71,685	111,099
	71,685	111,189

In the ordinary course of business, the company enters into transactions with the Town of Niagara-on-the-Lake (the "Town") including its boards and agencies. The company derives revenues from the sale of electricity and recovers costs of supplying electrical equipment and distribution system from these related parties. Purchases from related parties take place at fair market value. Account balances resulting from these transactions which are included in the balance sheet are settled in accordance with normal trade terms.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

5. Regulatory Assets

The OEB has established in its Electricity Distribution Rate Handbook and its Accounting Procedures Handbook for Electricity Distribution Utilities provisions for recording regulatory assets on the company's Balance Sheet.

Regulatory assets primarily represent costs that have been deferred in anticipation of future cost recoveries as determined by the OEB. The costs include transition costs to prepare the utility for the competitive electricity market, pre and post market opening settlement variances related to the supply of energy to retailers and standard supply service customers, deferred payments in lieu taxes ("PILS") representing the difference between PILS revenue entitlements and PILS collections and retailer cost variances.

In a letter dated December 19, 2003, the Minister of Energy granted approval for distributors to make application to the OEB with regard to rate recovery of certain regulatory assets whose inclusion in rates was delayed by the Electricity Pricing, Conservation and Supply Act, 2002. These regulatory assets are expected to be recovered over a four year period, effective March 1, 2004. However, the amount to be recovered will be subject to a yet to be determined OEB review and approval process, expected to occur during 2005.

As at December 31, 2004, the company has accumulated \$ 4,006 (\$ 730,302 - 2003) in regulatory assets on the balance sheet as other assets. It is management's belief that these assets are consistent with the OEB's deferral criteria.

	2004	2003
	\$	\$
Qualifying Transition Costs	288,719	299,458
Pre-Market Opening Variances	153,319	144,217
Deferred PILS Variances	(206,668)	1,151
RSVA & RCVA Variances	(171,067)	275,035
Other Deferred Variances	11,089	10,441
Conservation and Demand Management	39,975	
Regulatory Asset Recovery	(111,361)	
	4,006	730,302

6. Long-Term Investments

The company has committed \$ 36,000 to a partnership known as the ENERconnect Limited Partnership as a limited partner. This partnership will carry on the business of procuring power on behalf of, and providing services relating to power procurement to limited partners and other third parties who are not.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

7. Employee Future Benefits

Defined Benefit Plan Information

	2004 \$	2003 \$
Employee benefit plan assets		
Employee benefit plan liabilities	379,668	361,283
Employee benefit plan deficit	379,668	361,283
Unamortized actuarial gain	52,186	54,062
Accrued benefit obligation, end of year	431,854	415,345
	2004 \$	2003 \$
Accrued benefit obligation, beginning of year	415,345	380,568
Expense for the year	43,174	50,747
Amortization of gain	(1,876)	
Benefits paid during the year	(24,789)	(15,970)
Accrued benefit obligation, end of year	431,854	415,345

An actuarial valuation was last done for the year ending December 31, 2003.

As at December 31, 2004, the actual benefit obligation was \$ 379,668 with unamortized gain of \$ 52,186. The unamortized balance in excess of the 10% minimum amortization threshold is \$ 18,760. This amount is being amortized over the expected average remaining service life of the employee group, which in this case, is 10 years, or \$ 1,876 per annum.

The main actuarial assumptions employed for the valuation are as follows:

General Inflation - Future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2.2% in 2003 and thereafter.

Interest (Discount) Rate - The present value of future liabilities and the expense were determined using discount rates of 6.0% and 5.5% respectively. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.8% and 3.3%, respectively.

Salary Levels - Future general salary and wage levels were assumed to increase at 3.5% per annum.

Medical Costs - Medical costs were assumed to increase at the CPI rate plus a further increase of 12.8% in 2003 graded down to 2.8% in 2013 and thereafter.

Dental Costs - Dental costs were assumed to increase at the CPI rate plus a further increase of 2.8% in 2003 and thereafter.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

8. Demand Instalment Loan

There is a demand instalment loan outstanding, bearing interest at prime plus 0.5%, payable in monthly blended instalments.

The security for the demand instalment loan, bank advances, and letters of credit is a general security agreement, including an assignment of accounts receivable and finished goods and a floating charge over all tangible properties. Under the terms of the credit facility, the company must maintain certain financial covenants and ratios.

Repayment terms for the demand instalment loan have been negotiated for an amortized period of fifteen years. The principal payments due over the next five years are as follows:

	\$
2005	134,964
2006	142,265
2007	149,961
2008	158,074
2009	166,625

9. Long-Term Note Payable

On November 1, 2000, Niagara-on-the-Lake Hydro Inc. incurred a long-term note payable to the Town of Niagara-on-the-Lake in the amount of \$ 6,901,333. Pursuant to the transfer by-law, the long-term note payable was issued as a non-interest bearing instrument pending the establishment of permanent terms. There is no intent to redeem the long-term note payable.

Effective March 1, 2001, interest is payable at 7.25% and amounts paid and accrued for the year amounted to \$ 500,347 (\$ 500,347 - 2003).

10. Share Capital

Authorized

Unlimited number of common shares

	2004	2003
	\$	\$
Issued		
1,001 common shares	2,632,307	2,632,307

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

11. Statement of Cash Flows

(a) Changes in working capital components include:

	2004 \$	2003 \$
Accounts receivable	(133,805)	(583,455)
Rate settlement rebate receivable		825,897
Unbilled revenue	(407,504)	573,453
Due from affiliated companies	(132,309)	(32,214)
Note receivable	(168,750)	(130,000)
Inventories	3,699	30,112
Prepaid expenses	1,843	(10,561)
Demand instalment loan	(128,004)	2,758,764
Accounts payable	563,460	(677,620)
Payments in lieu of taxes payable	177,000	(197,308)
Other current liabilities	34,275	(127,018)
	(190,095)	2,430,050

(b) Acquisition of capital assets

During the period, capital assets were acquired in the amount of \$ 1,795,086. Capital contributions received from third parties amounted to \$ 484,062. Cash payments of \$ 1,311,024 were made to purchase capital assets.

(c) Interest and payments in lieu of taxes

	2004 \$	2003 \$
Interest received	7,955	14,604
Interest paid	601,055	741,865
Payments in lieu of taxes paid	40,630	220,493

12. Pension Agreement

The company makes contributions to the Ontario Municipal Employees Retirement Systems ("OMERS"), which is a multi-employer plan, on behalf of approximately 20 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2004 was \$ 108,862 (\$ 40,925 - 2003) for current service.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

13. General Liability Insurance

The company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed, on a pro-rata basis, based on the total of their respective deposit premiums should losses be experienced by MEARIE, in excess of reserves and supplementary insurance, for the years in which the company or the former Niagara-on-the-Lake Hydro-Electric Commission was a member. Participation in MEARIE covers a three year underwriting period which expires January 1, 2007.

To December 31, 2004, the company has not been made aware of any additional assessments.

14. Contingent Liability

Class Action

A class action claiming \$ 500 million in restitutionary payments plus interest was served on the former Toronto Hydro-Electric Commission 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 based on the premise 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 company.

15. Other Information

(a) Amortization

	2004	2003
	\$	\$
Amortization of capital assets charged to operations	1,074,164	916,470
Amortization of capital assets charged to operating assets	57,221	83,759
	1,131,385	1,000,229

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

15. Other Information - continued

(b) Capitalized Interest

	2004	2003
	\$	\$
Capitalized interest	31,267	27,529

16. Financial Instruments

Credit Risk

The company in the normal course of business monitors the financial condition of its customers and reviews the credit history of new customers. The company is currently holding customer deposits on hand in the amount of \$ 214,335 (\$ 130,127 - 2003) and is reflected on the balance sheet. Allowances are also maintained for potential credit losses. Management believes that it has adequately provided for any exposure to normal customer credit risk.

Cash Flow Risk

The company has entered into swap transactions, the effect of which is to fix the interest rate on the \$ 2,684,930 demand instalment loan at 5.28% to the maturity date. The company is exposed to interest rate risk on the bank advances which have floating interest rates.

Operating Line of Credit

As at December 31, 2004, the company had a line of credit of \$ 2,000,000 of which NIL had been drawn down. The line of credit consists of revolving operating and term facilities that bear interest at prime rate minus 0.25% and are secured by all assets of the company. There are unlimited guarantees provided by Niagara-on-the-Lake Energy Inc. and Energy Services Niagara Inc.

Letters of Credit/Guarantees

The company had arranged for a total letter of credit or guarantee in the amount of \$ 1,000,000. As at December 31, 2004, \$ 857,908 is available to the Independent Electricity System Operator ("IESO") of which NIL had been drawn upon. This is to provide a prudential letter of credit in support of the purchase of electrical power from the IESO. Any draw under this facility will be converted into a capital loan facility with a monthly repayment program to be negotiated.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

16. Financial Instruments - continued

Fair Values

The carrying values of cash and bank advances, accounts receivable, accounts payable and accrued liabilities, and client deposits and advances approximate their fair values due to the relatively short periods to maturity of the instruments.

The demand instalment loan bears interest at a floating rate and thus, the carrying value approximates fair value.

The potential replacement cost to Niagara-on-the-Lake Hydro Inc. of the interest rate swap was \$ 94,482.

The investment and long-term note payable are stated at face value. It is not practicable within the constraints of timeliness or cost to determine the fair value with sufficient reliability.

17. Payments in Lieu of Taxes

Future payments in lieu of income taxes relating to this regulated business have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2004, future payments in lieu of income tax assets of \$ 1,431,327 (\$ 1,217,089 - 2003), based on substantively enacted income tax rates, have not been recorded. The company was not subject to payments in lieu of taxes prior to October 1, 2001.

Temporary differences and carryforwards which give rise to future payments in lieu of tax assets and liabilities are as follows:

	2004 \$	2003 \$
Future payments in lieu of tax assets		
Capital assets	1,276,788	1,330,851
Employee future benefits	155,986	150,023
Regulatory assets	(1,447)	(263,785)
	1,431,327	1,217,089

An independent valuation was completed effective October 1, 2001 in order to determine the fair market value of the company for the purpose of calculating payments in lieu of taxes under s. 93 of the Electricity Act. The valuation resulted in a fair market value of approximately \$ 17,219,000 of tangible capital assets, an increase of approximately \$ 4,116,022 over net book value as at October 1, 2001. This valuation was performed for the purposes of calculating payments in lieu of taxes only and has not been reflected as an adjustment to net book value for accounting purposes.

NIAGARA-ON-THE-LAKE HYDRO INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2004

17. Payments in Lieu of Taxes - continued

The reconciliation of the company's effective income tax rate for payments in lieu of taxes is as follows:

	2004 %	2003 %
Federal income tax rate	29.12	29.12
Provincial income taxes, net of federal abatement	14.00	12.50
Applicable tax rate	43.12	41.62
Capital cost allowance	(96.31)	(22.27)
Addition for changes in regulatory assets not deductible for tax purposes	379.52	
Losses of prior years recognized in the year	(67.26)	
Tax effect of other items that are deductible for income tax purposes	15.89	(19.55)
Reduction relating to General Rate Reduction	(44.64)	
Surtax and large corporations tax		4.36
Addition (reduction) relating to CMT	(12.79)	4.00
2002 reassessment		3.84
2003 loss carryback		(9.67)
	217.53	2.33

18. Deferred Charges - HVDS

The amount reflected as deferred charges - HVDS represent transformation tariffs related to a distribution station owned by Hydro One. Hydro One's collection of these charges were deferred by Bill 210. Charges have been accrued from May 1, 2002 to present and are recorded as part of RSVA variances on the balance sheet. The OEB approved a rate order on January 10, 2005 which authorizes Hydro One to recover specific approved amounts from each embedded distributor on a monthly basis over a three year period beginning April 1, 2005.

19. Comparative Figures

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