

Exhibit 5:

CAPITAL STRUCTURE AND COST OF CAPITAL

Exhibit 5: Capital Structure And Cost Of Capital

Tab 1 (of 1): Capital Structure and Cost of Capital

1 **CAPITAL STRUCTURE AND COST OF CAPITAL**

2 This Application is submitted in compliance with the deemed capital structure dictated by
 3 the OEB for rate making purposes, and it also assumes the current Cost of Capital
 4 parameters set by the Board by letter dated March 2, 2012. This schedule contains a
 5 description of the capital structure and the calculation of the blended cost of debt for the
 6 2013 Test Year.

7 **Capital Structure**

8 Bluewater Power's current OEB approved capital structure for rate making purposes is
 9 60% debt and 40% equity. This capital structure was determined in the OEB's *Report of*
 10 *the Board on Cost of Capital for Ontario's Regulated Utilities* dated December 11, 2009
 11 ("Cost of Capital Report"). The 60% debt component is comprised of two parts, 4%
 12 deemed short-term debt and 56% deemed long-term debt. Applying the Rate Base of
 13 \$66,800,816 to the Capital Structure produces the results set out in Table 1 below. The
 14 Rate Base value includes the one-time adjustment to Rate Base of \$364,881 due to the
 15 conversion to IFRS, which has the effect of adding approximately \$22,153 to the
 16 Regulated Return on Capital ($\$364,881 * 6.07\%$ WACC).

17
 18

Table 1 – Capital Structure and Return on Capital

	<i>Deemed Portion</i>	<i>Current Effective Rate¹</i>	<i>Return Amount</i>
Short-Term Debt	4.00%	2.08%	
Long-Term Debt	56.00%	4.18%	
Total Equity	40.00%	9.12%	
Regulated Rate of Return	100.00%	6.07%	
Rate Base			66,800,816
Regulated Return on Capital			4,056,060
Deemed Interest Expense			1,619,166
Deemed Return on Equity			2,436,894

¹Current WACC parameters based on OEB "Cost of Capital Parameter Updates for 2012 Cost of Service Applications for Rates Effective May 1, 2012" by letter dated March 1, 2012

1 **Return on Equity**

2 Bluewater Power has applied a rate for Return on Equity ("ROE") set at 9.12% for the
3 2013 Test Year. Bluewater Power recognizes that the ROE will be updated at the time
4 of approval based on the ROE determined by the OEB for rates effective May 1, 2013.

5 **Cost of Debt**

6 The Short-Term Debt ("STD") rate has been set at 2.08% for the 2013 Test Year.
7 Bluewater Power recognizes that the STD rate will be updated at the time of approval
8 based on the STD rate determined by the OEB for rates effective May 1, 2013.

9 The Long-Term Debt ("LTD") rate has been set at 4.18% for the 2013 Test Year. The
10 rate represents the blended rate for Bluewater Power's deemed debt at the deemed rate
11 of 4.41%, accounting for third party borrowing with Infrastructure Ontario at 3.37%. The
12 blended rate is based on the average of the starting and ending balance of the debt with
13 Infrastructure Ontario for the 2013 Test Year. All other deemed debt is set at 4.41%. The
14 first debenture with Infrastructure Ontario was set as a 10 year debenture at 3.37% as of
15 September 15, 2010. The second note with Infrastructure Ontario has been assumed to
16 convert to a 10 year debenture on September 15, 2013 at the existing rate of 3.37%.
17 The calculation of the blended rate for the 2013 Test Year is set out in Appendix 2-OB
18 under the heading for the year 2013.

19 By way of background, Bluewater Power confirms that the terms of its Promissory Notes
20 with its municipal shareholders are identical. We have provided as Exhibit 5, Tab 1,
21 Schedule 1, Attachment 3 the copies of Promissory Notes with five of our six
22 shareholders. The sixth shareholder, being the Village of Oil Springs, does not have a
23 promissory note with Bluewater Power. We further acknowledge that the debt is variable
24 debt with an affiliate that is required by the Cost of Capital Report to be set at the
25 deemed debt rate for rate making purposes. Accordingly, the deemed portion of the debt
26 in the calculation of the blended rate has been set at 4.41% and that portion of the LTD
27 rate will be updated at the time of approval based on the LTD rate determined by the
28 OEB for rates effective May 1, 2013

Appendix 2-OA Capital Structure and Cost of Capital

This table must be completed for the required years of all historical years, the bridge year and the test year.

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
2013 Test Year					
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$37,408,457	4.18%	\$1,563,588
2	Short-term Debt	4.00% (1)	\$2,672,033	2.08%	\$55,578
3	Total Debt	60.0%	\$40,080,490	4.04%	\$1,619,166
	Equity				
4	Common Equity	40.00%	\$26,720,326	9.12%	\$2,436,894
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.0%	\$26,720,326	9.12%	\$2,436,894
7	Total	100.0%	\$66,800,816 (2)	6.07%	\$4,056,060

Notes

(1) 4.0% unless an applicant has proposed or been approved for a different amount.

(2) The rate base value of \$66,800,816 includes the IFRS adjustment of \$364,881.

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
2012 Bridge Year					
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$26,785,329	7.62%	\$2,041,042
2	Short-term Debt	4.00% (1)	\$1,913,238	1.33%	\$25,446
3	Total Debt	60.0%	\$28,698,566	7.20%	\$2,066,488
	Equity				
4	Common Equity	40.00%	\$19,132,378	8.01%	\$1,532,503
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.0%	\$19,132,378	8.01%	\$1,532,503
7	Total	100.0% (3)	\$47,830,944	7.52%	\$3,598,992

Note

(3) The rate base of \$47,830,944 is the amount approved as part of 2009 rebasing.

Line

No.	Particulars	Capitalization Ratio		Cost Rate	Return
2011					
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$26,785,329	7.62%	\$2,041,042
2	Short-term Debt	4.00% (1)	\$1,913,238	1.33%	\$25,446
3	Total Debt	60.0%	\$28,698,566	7.20%	\$2,066,488
Equity					
4	Common Equity	40.00%	\$19,132,378	8.01%	\$1,532,503
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.0%	\$19,132,378	8.01%	\$1,532,503
7	Total	100.0% (3)	\$47,830,944	7.52%	\$3,598,992

Note

(3) The rate base of \$47,830,944 is the amount approved as part of 2009 rebasing.

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
2010 IRM					
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00% (4)	\$26,785,329	7.62%	\$2,041,042
2	Short-term Debt	4.00%	\$1,913,238	1.33%	\$25,446
3	Total Debt	60.0%	\$28,698,566	7.20%	\$2,066,488
Equity					
4	Common Equity	40.00%	\$19,132,378	8.01%	\$1,532,503
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.0%	\$19,132,378	8.01%	\$1,532,503
7	Total	100.0% (3)	\$47,830,944	7.52%	\$3,598,992

Note

(3) The rate base of \$47,830,944 is the amount approved as part of 2009 rebasing.

(4) The 2010 IRM was the last adjustment for debt/equity modifications.

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
2009 Board Approved					
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	52.67%	\$25,190,964	7.62%	\$1,919,551
2	Short-term Debt	4.00%	\$1,913,238	1.33%	\$25,446
3	Total Debt	56.7%	\$27,104,202	7.18%	\$1,944,998
Equity					
4	Common Equity	43.33%	\$20,726,742	8.01%	\$1,660,212
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	43.3%	\$20,726,742	8.01%	\$1,660,212
7	Total	100.0%	\$47,830,944	7.54%	\$3,605,210

**Appendix 2-OB
Debt Instruments**

This table must be completed for the required years of all historical years, the bridge year and the test year.

Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 655,187	4.41%	\$ 28,894
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 1,430,914	4.41%	\$ 63,103
3	Promissory Note to Shareholder	Village of Alvinston	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 139,981	4.41%	\$ 6,173
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 421,886	4.41%	\$ 18,605
5	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 16,729,636	4.41%	\$ 737,777
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	Sep 15, 2011	10.00	\$ 6,177,576	3.37%	\$ 208,184
7	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	Sep 15, 2013	10.00	\$ 2,103,697	3.37%	\$ 70,895
8	Unfunded deemed portion						\$ 9,749,580	4.41%	\$ 429,956
Total							\$ 37,408,457	4.18%	\$ 1,563,588

Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 655,187	7.62%	\$ 49,925
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 1,430,914	7.62%	\$ 109,036
3	Promissory Note to Shareholder	Village of Alvinston	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 139,981	7.62%	\$ 10,667
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 421,886	7.62%	\$ 32,148
5	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 16,729,636	7.62%	\$ 1,274,798
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	Sep 15, 2011	10.00	\$ 6,491,938	3.37%	\$ 228,022
7	Advances	Infrastructure Ontario	Third-Party	Variable Rate	Sep 20, 2010	10.00	\$ 2,200,000	1.75%	\$ 38,500
Total							\$ 28,069,542	6.21%	\$ 1,743,095

Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 655,187	7.62%	\$ 49,925
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 1,430,914	7.62%	\$ 109,036
3	Promissory Note to Shareholder	Village of Alvinston	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 139,981	7.62%	\$ 10,667
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 421,886	7.62%	\$ 32,148
5	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 16,729,636	7.62%	\$ 1,274,798
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	Sep 15, 2011	10.00	\$ 7,100,000	3.37%	\$ 70,335
7	Advances	Infrastructure Ontario	Third-Party	Variable Rate	Sep 20, 2010	10.00	\$ 727,494	1.75%	\$ 85,319
Total							\$ 27,205,098	6.00%	\$ 1,632,227

Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 655,187	7.62%	\$ 49,925
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 1,430,914	7.62%	\$ 109,036
3	Promissory Note to Shareholder	Village of Alvinston	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 139,981	7.62%	\$ 10,667
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 421,886	7.62%	\$ 32,148
5	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 16,729,636	7.62%	\$ 1,274,798
6	Advances	Infrastructure Ontario	Third-Party	Variable Rate	Sep 20, 2010	10.00	\$ 5,651,531	1.75%	\$ 11,907
Total							\$ 25,029,135	5.95%	\$ 1,488,480

Year 2009

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Actual (\$) (Note 4)
1	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 655,187	7.62%	\$ 49,925	\$ 49,117
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 1,430,914	7.62%	\$ 109,036	\$ 107,271
3	Promissory Note to Shareholder	Village of Alvinston	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 139,981	7.62%	\$ 10,667	\$ 10,494
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 421,886	7.62%	\$ 32,148	\$ 31,627
5	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	Oct 30, 2000	-	\$ 16,729,636	7.62%	\$ 1,274,798	\$ 1,254,165
Total							\$ 19,377,604	7.62%	\$ 1,476,573	\$ 1,452,674

Notes

- 1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009
- 3 Add more lines above row 12 if necessary.
- 4 Bluewater Power - the actual interest in 2009 was a combination of 7.25% rate from Jan to Apr and 7.62% from May to December.

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the City of Sarnia (the "City") the principal sum of Sixteen Million Seven Hundred and Twenty-Nine Thousand Six Hundred and Thirty Six Dollars (\$16,729,636) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the City (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the City may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the City shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the City, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the City in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the City on October 30, 2000 as By-law No.169 of 2000 and of a Merger Agreement entered into with the City as of October 30, 2000.

This Promissory Note is not assignable by the City without the consent of BPDC.

DATED as of the 27th Day of March 2002.

BLUEWATER POWER DISTRIBUTION CORPORATION

By: DL

By: J L McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Town of Petrolia (the "Town") the principal sum of One Million Four Hundred and Thirty Thousand Nine Hundred and Fourteen Dollars (\$1,430,914) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Town (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Town may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Town shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Town, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with BPDC.

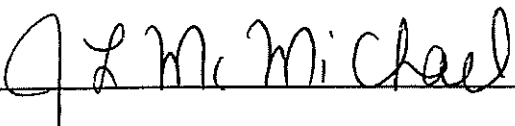
The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Town on October 30, 2000 as By-law No.74-2000 and of a Merger Agreement entered into with the Town as of October 30, 2000.

This Promissory Note is not assignable by the Town without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By:  _____

By:  _____

SCHEDULE "A"

Definitions

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"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Township of Warwick (the "Township") the principal sum of Four Hundred and Twenty-One Thousand Eight Hundred and Eighty Six Dollars (\$421,886) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Township (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Township may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Township shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Township, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Township in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Township on October 30, 2000 as By-law No. 59-2000 and of a Merger Agreement entered into with the Township as of October 30, 2000.

This Promissory Note is not assignable by the Township without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By: DL

By: Q h McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Village of Alvinston (the "Village") the principal sum of One Hundred and Thirty Nine Thousand Nine Hundred and Eighty-One Dollars (\$139,981) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Village (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Village may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Village shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Village, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Village in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Village on October 30, 2000 as By-law No.13 of 2000 and of a Merger Agreement entered into with the Village as of October 30, 2000.

This Promissory Note is not assignable by the Village without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By: DL

By: J L McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Village of Point Edward (the "Village") the principal sum of Six Hundred and Fifty-Five Thousand One Hundred and Eighty-Seven Dollars (\$655,187) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Village (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Village may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Village shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Village, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Village in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Village on October 30, 2000 as By-law No.23 of 2000 and of a Merger Agreement entered into with the Village as of October 30, 2000.

This Promissory Note is not assignable by the Village without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By: _____

By: _____

DL
J L McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.