

CLINTON POWER CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2001

VODDEN, BENDER & SEEBACH
Chartered Accountants

Vodden, Bender & Seebach

Chartered Accountants

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AUDITOR'S REPORT

We have audited the balance sheet for the Clinton Power Corporation as at December 31, 2001 and the statements of income (loss) and retained earnings (deficit) and of cash flow 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 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 Clinton Power Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Vodden, Bender & Seebach

Chartered Accountants

Clinton, Ontario

April 16, 2002

CLINTON POWER CORPORATION**BALANCE SHEET****As at December 31, 2001**

See Notes to Financial Statements

	2001	2000
ASSETS		
Current assets		
Cash	146,872	419,363
Accounts receivable	412,860	225,748
Unbilled revenue	175,000	145,900
Inventories	41,462	32,052
Prepaid expenses	6,150	7,851
Deferred transition costs	48,563	-
	<u>830,907</u>	<u>830,914</u>
Capital assets (note 2)		
Distribution system	994,919	989,387
Trucks and equipment	29,558	30,256
	<u>1,024,477</u>	<u>1,019,643</u>
	<u>\$ 1,855,384</u>	<u>\$ 1,850,557</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	248,649	394,708
Consumers credit balances	9,685	5,800
Consumers deposits - current	4,000	3,500
Due to Municipality of Central Huron	101,173	22,192
Due to Clinton Hydro Electric Retail Affiliate Inc.	26,989	25,126
	<u>390,496</u>	<u>451,326</u>
Other liabilities		
Consumers deposits - long-term	35,782	36,533
Note payable-Municipality of Central Huron	698,786	698,786
	<u>734,568</u>	<u>735,319</u>
Shareholder's equity		
Common shares (1,000 issued)	698,786	698,786
Retained earnings (deficit)	31,534	(34,874)
	<u>730,320</u>	<u>663,912</u>
	<u>\$ 1,855,384</u>	<u>\$ 1,850,557</u>

CLINTON POWER CORPORATION**STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)****For the year ended December 31, 2001****With comparative amounts for the two months ended December 31, 2000**

See Notes to Financial Statements

	2001	2000
Revenue		
Sale of energy		
Residential	1,059,952	168,611
Commercial and industrial	1,398,013	241,380
Street lighting	21,555	4,525
Increase (decrease) in unbilled revenue	29,100	36,100
	<u>2,508,620</u>	<u>450,616</u>
Interest and late payment charges	27,074	5,195
Other rentals, materials and charges	19,145	349
Settlement of OPGI lawsuit	9,237	-
	<u>2,564,076</u>	<u>456,160</u>
Expenditure		
Energy cost	2,153,595	419,159
Distribution	80,118	10,758
Utilization	2,023	3,012
Billing and collecting	66,848	7,114
Building operation	15,714	4,147
Administration	135,364	39,706
Amortization of capital assets	44,006	7,138
	<u>2,497,668</u>	<u>491,034</u>
Net income (loss) before income taxes	66,408	(34,874)
Income taxes	-	-
Net income (loss) for year	66,408	(34,874)
Retained earnings (deficit) beginning of year	(\$ 34,874)	-
Retained earnings (deficit) end of year	<u>\$ 31,534</u>	<u>(\$ 34,874)</u>

CLINTON POWER CORPORATION
STATEMENT OF CASH FLOW

For the year ended December 31, 2001

With comparative amounts for the two months ended December 31, 2000

See Notes to Financial Statements

	2001	2000
Operating activities		
Net income (loss) for year / two months	66,408	(34,874)
Add: Amortization of capital assets	44,439	7,210
Working capital provided by (used for) operations	110,847	(27,664)
Cash provided by (used for) changes in working capital		
Accounts receivable	(187,112)	(225,748)
Unbilled revenue	(29,100)	(145,900)
Inventories	(9,410)	(32,052)
Prepaid expenses	1,701	(7,851)
Deferred transition costs	(48,366)	-
Accounts payable	(67,078)	416,900
Consumer credit balances and deposit	3,634	45,833
Due to Clinton Hydro Electric Retail Affiliate Inc.	1,863	25,126
Cash provided by (used for) operations	(223,021)	48,644
Investment activities		
Additions to capital assets	(49,470)	(710)
Net capital assets transferred from Clinton Hydro Electric	-	(1,026,143)
Cash used for investments	(49,470)	(1,026,853)
Financing activities		
Common shares issued	-	698,786
Note payable issued	-	698,786
	-	1,397,572
Increase (decrease) in cash	(272,491)	419,363
Cash and short-term deposits beginning of year	\$ 419,363	-
Cash and short-term deposits end of year	\$ 146,872	\$ 419,363

CLINTON POWER CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2001

1. Significant accounting policies

The financial statements of the Clinton Power Corporation are the representation of management prepared in accordance with generally accepted accounting principles including accounting principles prescribed by the Ontario Energy Board ("OEB") in the handbook "Accounting Procedures Handbook for Electric Distribution Utilities".

Inventories

Inventories are stated at cost.

Deferred transition costs

Clinton Power Corporation has incurred costs relating to the transition to a competitive electricity market mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs which qualify for deferral and amortization against future revenue. Transition costs which do not qualify for deferral have been expensed during the period incurred.

Transition costs which are capital in nature, such as computer equipment and software, are accounted for as part of capital assets.

Capital assets

Capital assets are stated at cost less accumulated amortization. The cost is amortized on the straight line basis over the estimated useful lives of the assets as follows:

Distribution system	25-30 years
Trucks and equipment	10 years

Revenue recognition

Service revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Income taxes

Since the corporation is 100% municipally owned, it is not taxable under paragraph 149(1)(d.5) of the Income Tax Act. Commencing October 1, 2001, the corporation is required to make payments in lieu of taxes equivalent to Federal and Provincial Income Taxes under Section 93 of Bill 35.

The corporation provides for payments in lieu of taxes using the taxes payable method as permitted by the OEB and CICA. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the regulated business at that time.

2. Capital assets

	Cost	Accumulated Amortization	Net Book Value
Distribution stations	150,791	5,864	144,927
Overhead distribution lines	267,808	12,208	255,600
Underground distribution system	430,787	19,801	410,986
Distribution transformers	111,853	4,962	106,891
Distribution meters	80,153	3,738	76,415
Transportation equipment	2,169	505	1,664
Tools and equipment	32,761	4,867	27,894
	<u>1,076,322</u>	<u>51,845</u>	<u>1,024,477</u>

CLINTON POWER CORPORATION
BREAKDOWN OF TAXABLE/EXEMPT INCOME
For the year ended December 31, 2001

	Jan-Sep 2001 tax exempt	Oct-Dec 2001 taxable	Total 2001
Revenue			
Sale of energy			
Residential	813,612	246,340	1,059,952
Commercial and industrial	1,058,209	339,804	1,398,013
Street lighting	17,125	4,430	21,555
Increase (decrease) in unbilled revenue	(64,900)	94,000	29,100
	<u>1,824,046</u>	<u>684,574</u>	<u>2,508,620</u>
Interest and late payment charges	21,996	5,078	27,074
Other rentals, materials and charges	16,342	2,803	19,145
Settlement of OPGI lawsuit	9,237	-	9,237
Total revenue	<u>1,871,621</u>	<u>692,455</u>	<u>2,564,076</u>
Expenditure			
Energy cost	1,510,206	643,389	2,153,595
Distribution	57,407	22,711	80,118
Utilization	1,423	600	2,023
Billing and collecting	49,347	17,501	66,848
Building operation	11,682	4,032	15,714
Administration	96,206	39,158	135,364
Amortization of capital assets	32,915	11,091	44,006
Total expenditure	<u>1,759,186</u>	<u>738,482</u>	<u>2,497,668</u>
Net income (loss) before income taxes	112,435	(46,027)	66,408
Income taxes	-	-	-
Net income (loss) for period	<u>\$ 112,435</u>	<u>(\$ 46,027)</u>	<u>\$ 66,408</u>

CLINTON HYDRO ELECTRIC RETAIL AFFILIATE INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2001

VODDEN, BENDER & SEEBACH
Chartered Accountants

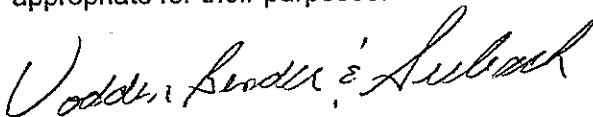
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NOTICE TO READER

We have compiled the balance sheet of Clinton Hydro Electric Retail Affiliate Inc. as at December 31, 2001 and the statement of revenue and expenditure for the year then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.



Chartered Accountants

Clinton, Ontario
April 16, 2002

CLINTON HYDRO ELECTRIC RETAIL AFFILIATE INC.
BALANCE SHEET

As at December 31, 2001

Unaudited - See Notice to Reader

	2001	2000
ASSETS		
Current assets		
Inventory	1,145	1,458
Due from Clinton Power Corporation	26,989	25,126
	<u>28,134</u>	<u>26,584</u>
Capital assets (note 2)		
Rental water heaters and sentinel lights	41,098	34,535
	<u>\$ 69,232</u>	<u>\$ 61,119</u>
LIABILITIES AND EQUITY		
Liabilities		
Income taxes payable	413	-
Shareholder's equity		
Common shares (1,000 issued)	60,115	60,115
Retained earnings	8,704	1,004
Total shareholder's equity	<u>68,819</u>	<u>61,119</u>
	<u>\$ 69,232</u>	<u>\$ 61,119</u>

STATEMENT OF REVENUE AND EXPENDITURE AND RETAINED EARNINGS

For the year ended December 31, 2001

With comparative amounts for the two months ended December 31, 2000

Unaudited - See Notice to Reader

	2001	2000
Revenue		
Water heater rentals	13,153	2,179
Sentinel light rentals	1,881	313
	<u>15,034</u>	<u>2,492</u>
Expenditure		
Maintenance	2,426	903
Amortization of capital assets	4,495	585
Total expenditure	<u>6,921</u>	<u>1,488</u>
Net income before income taxes	8,113	1,004
Income tax expense	413	-
Net income for year/two months	7,700	1,004
Retained earnings beginning of year	1,004	-
Retained earnings end of year	<u>\$ 8,704</u>	<u>1,004</u>

CLINTON HYDRO ELECTRIC RETAIL AFFILIATE INC.
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2001

1. Significant accounting policies

The financial statements of the Clinton Power Corporation are the representation of management prepared in accordance with generally accepted accounting principles including accounting principles prescribed by the Ontario Energy Board ("OEB") in the handbook "Accounting Procedures Handbook for Electric Distribution Utilities".

Inventories are stated at cost.

Capital assets are stated at cost less accumulated amortization. The cost is amortized on the straight line basis over the estimated useful lives of the assets which was estimated at 10 years.

2. Capital assets

	Cost	Accumulated Amortization	Net Book Value
Rental water heaters	44,804	4,920	39,884
Sentinel lighting	<u>1,374</u>	<u>160</u>	<u>1,214</u>
	<u>46,178</u>	<u>5,080</u>	<u>41,098</u>

CLINTON HYDRO ELECTRIC RETAIL AFFILIATE INC.
BREAKDOWN OF TAXABLE/EXEMPT INCOME
For the year ended December 31, 2001

	Jan-Sep 2001 tax exempt	Oct-Dec 2001 taxable	Total 2001
Revenue			
Water heater rentals	10,045	3,108	13,153
Sentinel light rentals	1,396	485	1,881
	<u>11,441</u>	<u>3,593</u>	<u>15,034</u>
Expenditure			
Maintenance	2,137	289	2,426
Amortization of capital assets	3,342	1,153	4,495
	<u>5,479</u>	<u>1,442</u>	<u>6,921</u>
Net income before income taxes	5,962	2,151	8,113
Income tax expense	-	413	413
Net income for year	<u>\$ 5,962</u>	<u>\$ 1,738</u>	<u>\$ 7,700</u>