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July 17, 2013

Delivered by RESS and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0109 – Brantford Power Inc.
Application to the Ontario Energy Board for Electricity Distribution
Rates and Charges effective November 1, 2013**

We are counsel to Brantford Power Inc. ("BPI") with respect to the above-captioned matter. Please find accompanying this letter BPI's Application for Electricity Distribution Rates and Charges effective November 1, 2013. The Application, together with Excel versions of the models that BPI is required to file in "live" form, is being filed electronically. Two hard copies of the Application will be delivered to the Board.

A copy of BPI's certification with respect to the accuracy of the Application evidence, signed by Heather Wyatt, BPI's Director of Regulatory Affairs and Board Secretary, accompanies this letter.

We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following individuals:

Heather Wyatt
Director, Regulatory Affairs
Brantford Power Inc.
84 Market Street
Brantford, ON
N3T 5N8

Mailing Address:

P.O. Box 308
Brantford, ON N3T 5N8

Tel: 1-519-751-3522, Ext. 3269
Fax: 1-519-753-6130
E-mail: hwyatt@brantford.ca

James C. Sidlofsky
Partner
Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West
Toronto, ON M5H 3Y4

Tel: 416-367-6277
Fax: 416-361-2751
E-mail: jsidlofsky@blg.com

Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,
BORDEN LADNER GERVAIS LLP

Original signed by James C. Sidlofsky

James C. Sidlofsky
JCS

cc. Paul Kwasnik, Brantford Power Inc.
Heather Wyatt, Brantford Power Inc.

TOR01: 5284054: v3



Brantford Power Inc.
Application for Approval of Electricity Distribution Rates – EB-2012-0109
Certification – Accuracy of Application Evidence

I have reviewed the supporting evidence contained in the above-noted application for approval of electricity distribution rates and certify that to the best of my knowledge, it is accurate.

Dated July 17, 2013

Heather Wyatt
Director of Regulatory Affairs, Board Secretary

Telephone
519-751-3522
Fax
519-753-6130

BRANTFORD POWER INC.

**APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES
EFFECTIVE NOVEMBER 1, 2013 INDEX**

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Exhibit	Tab	Schedule	Appendix	Contents
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Exhibit	Tab	Schedule	Appendix	Contents
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Exhibit	Tab	Schedule	Appendix	Contents
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Exhibit	Tab	Schedule	Appendix	Contents
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Exhibit	Tab	Schedule	Appendix	Contents
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Exhibit	Tab	Schedule	Appendix	Contents
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IN THE MATTER OF the Ontario Energy Board Act, 1998, being
Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15,
as amended;

AND IN THE MATTER OF an Application by Brantford Power
Inc. to the Ontario Energy Board for an Order or Orders approving
or fixing just and reasonable rates and other service charges for the
distribution of electricity as of November 1, 2013.

Title of Proceeding: An Application by Brantford Power Inc. for an Order or Orders
approving or fixing just and reasonable distribution rates and other
charges, effective November 1, 2013

Applicant's Name: BRANTFORD POWER INC.

Applicant's Address for Service: 84 Market St.
P.O. Box 308
Brantford, ON
N3T 5N8

Attention: Heather Wyatt, Director, Regulatory Affairs,
Board Secretary

Tel: (519) 751-3522 Ext. 3269

Fax: (519) 753-6130

Email: hwyatt@brantford.ca

Applicants Counsel: Borden Ladner Gervais LLP
Suite 4100
40 King Street West
Toronto, ON
M5H 3Y4

James C. Sidlofsky

Telephone: (416) 367-6277

Fax: (416) 361-2751

Email: jsidlofsky@blg.com

APPLICATION

Introduction

The Applicant is Brantford Power Inc. (BPI). The Applicant is a corporation incorporated pursuant to the Ontario *Business Corporations Act* with its head office in the City of Brantford, ON. The Applicant carries on the business of distributing electricity within the City of Brantford, ON.

The Applicant hereby applies to the Ontario Energy Board (the “Board”) pursuant to Section 78 of the *Ontario Energy Board Act, 1998* (“the OEB Act”) for approval of its proposed distribution rates and other charges, effective November 1, 2013. A list of requested approvals is set out below.

Except where specifically identified in the Application, the Applicant followed the Board’s Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, update issued June 28, 2010 (the “Filing Requirements”) in order to prepare this Application.

The Test Year budget was approved by the BPI Board of Directors on January 24, 2013. The Load Forecast was approved by BPI’s Senior Leadership Team on March 13, 2013

Application Notice

Application notice will be published in “The Expositor” a paid publication with circulation of 20,000.

“The Expositor” is published 6 days a week Monday to Saturday, and has a daily paid circulation of 20,000. The paper serves Brantford, as well as Paris, Burford and the rest of Brant County. Notice will also be posted on the BPI website.

Proposed Distribution Rates and Other Charges

The Proposed Schedule of Rates and Charges in this Application is set out in Exhibit 1, Tab 1, Schedule 2, Appendix A and in Exhibit 8. The material being filed in support of this Application sets out BPI’s approach to its distribution rates and charges.

Proposed Effective Date of Rate Order

The Applicant requests that the Board make its Rate Order effective November 1, 2013 in accordance with the Filing Requirements.

The Proposed Distribution Rates and Other Charges are Just and Reasonable

The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

- a) The proposed rates, as set out in Exhibit 1 for the distribution of electricity have been prepared in accordance with the Filing Requirements and reflect traditional rate making and cost of service principles;
- b) The proposed and adjusted rates are necessary to ensure BPI has sufficient funds to meet its capital expenditure obligations, fund OM&A expenses, provide for a reasonable Market Based Rate of Return (“MBRR”) and Payments in Lieu of Taxes (“PILS”).
- c) BPI advises that it is seeking approval of changes to the Specific Service Charges as set out in Exhibit 3, Tab 3, Schedule 4.
- d) There are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant or the implementation of any other mitigation measures.
- e) Such other grounds as may be set out in the material accompanying this Application Summary.

Relief Sought

The Applicant applies for an Order or Orders approving the proposed distribution rates and charges set out in Exhibit 8 to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective November 1, 2013.

The Applicant seeks approval of its Green Energy Plan as part of this Application in accordance with the Deemed Conditions of License as reported by the Board in its Distribution System Planning Guidelines G-2009-0087, issued June 16, 2009. The Applicant’s Green Energy Plan has been prepared in accordance with the Board’s Filing Requirements as reported in EB-2009-0397 – Distribution System Plans under the Green Energy Act issued on December 18, 2009.

Form of Hearing Requested

The Applicant requests that this Application be disposed of by way of a written hearing. DATED at Brantford, Ontario, this 17 day of July, 2013.

**All of which is respectfully submitted,
BORDEN LADNER GERVAIS LLP**

James C. Sidlofsky
Counsel to Brantford Power Inc.

APPENDIX A
SCHEDULE OF PROPOSED RATES AND CHARGES

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges – Delivery Component

Service Charge	12.52
Distribution Volumetric Rate	0.0151 per kWh
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery	0.0003 per kWh
Rate Rider for Deferral/Variance Account	(0.0039) per kWh
Rate Rider for Global Adjustment Sub-Account Disposition	0.0018 per kWh
Retail Transmission Rate – Network Service Rate	0.0084 per kWh
Retail Transmission Rate – Connection Service Rate	0.0057 per kWh
Smart Meter Disposition Rate Rider (SMDR)	(0.19)
Stranded Meter Recovery Rate Rider (SMRR)	1.77
Rate Rider for Smart Metering Entity Charge - effective until Oct. 31, 2018	0.79

Monthly Rates and Charges – Regulatory Component

Wholesale Market Service Rate	0.0044 per kWh
Rural Rate Protection Charge	0.0012 per kWh
Standard Supply Service – Administrative Charge (if applicable)	0.25

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval,

Monthly Rates and Charges – Delivery Component

Service Charge	27.13
Distribution Volumetric Rate	0.0071 per kWh
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery	0.0002 per kWh
Rate Rider for Deferral/Variance Account	(0.0039) per kWh
Rate Rider for Global Adjustment Sub-Account Disposition	0.0018 per kWh
Retail Transmission Rate – Network Service Rate	0.0076 per kWh
Retail Transmission Rate – Connection Service Rate	0.0049 per kWh
Smart Meter Disposition Rate Rider (SMDR)	(0.77)
Stranded Meter Recovery Rate Rider (SMRR)	1.75
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	0.79

Monthly Rates and Charges – Regulatory Component

Wholesale Market Service Rate	0.0044 per kWh
Rural Rate Protection Charge	0.0012 per kWh
Standard Supply Service – Administrative Charge (if applicable)	0.25

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges – Delivery Component

Service Charge	320.78
Distribution Volumetric Rate	2.8142 per kW
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery	0.0157 per kW
Rate Rider for Deferral/Variance Account	(1.5264) per kW
Rate Rider for Global Adjustment Sub-Account Disposition	0.7080 per kW
Retail Transmission Rate – Network Service Rate	2.5958 per kW
Retail Transmission Rate – Connection Service Rate	1.6850 per kW

Monthly Rates and Charges – Regulatory Component

Wholesale Market Service Rate	0.0044 per kWh
Rural Rate Protection Charge	0.0012 per kWh
Standard Supply Service – Administrative Charge (if applicable)	0.25

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone boots, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/ documentation with regard to electrical demand/consumption of the proposed unmetered load. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges – Delivery Component

Service Charge (per connection)	13.17
Distribution Volumetric Rate	0.0079 per kWh
Rate Rider for Deferral/Variance Account	(0.0039) per kWh
Rate Rider for Global Adjustment Sub-Account Disposition	0.0018 per kWh
Retail Transmission Rate – Network Service Rate	0.0076 per kWh
Retail Transmission Rate – Connection Service Rate	0.0049 per kWh

Monthly Rates and Charges – Regulatory Component

Wholesale Market Service Rate	0.0044 per kWh
Rural Rate Protection Charge	0.0012 per kWh
Standard Supply Service – Administrative Charge (if applicable)	0.25

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided.

The charge is applied to the contracted amount (e.g. nameplate rating of generation facility)

1.6729 per kW

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2103

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges – Delivery Component

Service Charge (per connection)	4.28
Distribution Volumetric Rate	20.5359 per kW
Rate Rider for Deferral/Variance Account	(1.2707) per kW
Rate Rider for Global Adjustment Sub-Account Disposition	0.5894 per kW
Retail Transmission Rate – Network Service Rate	2.4240 per kW
Retail Transmission Rate – Connection Service Rate	1.5737 per kW

Monthly Rates and Charges – Regulatory Component

Wholesale Market Service Rate	0.0044 per kWh
Rural Rate Protection Charge	0.0012 per kWh
Standard Supply Service – Administrative Charge (if applicable)	0.25

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2103

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photocells. The consumption for these customers will be based on the calculated load times the required lighting times established in the OEB approved street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges – Delivery Component

Service Charge (per connection)	0.71
Distribution Volumetric Rate	2.9627 per kWh
Rate Rider for Deferral/Variance Account	(1.2513) per kWh
Rate Rider for Global Adjustment Sub-Account Disposition	0.5804 per kWh
Retail Transmission Rate – Network Service Rate	2.3960 per kWh
Retail Transmission Rate – Connection Service Rate	1.5555 per kWh

Monthly Rates and Charges – Regulatory Component

Wholesale Market Service Rate	0.0044 per kWh
Rural Rate Protection Charge	0.0012 per kWh
Standard Supply Service – Administrative Charge (if applicable)	0.25

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges – Delivery Component

Service Charge	5.40
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Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION

This classification applies to an electricity distributor licensed by the Board that is provided electricity by means of this distributor's facilities. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Monthly Rates and Charges

Service Charge	293.34
Distribution Volumetric Rate	1.7466 per kW
Retail Transmission Rate – Network Service Rate	2.5958 per kW
Retail Transmission Rate – Connection Service Rate	1.6850 per kW

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2103

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

Allowances

Transformer Allowance for Ownership - per kW of billing demand/month	(0.60) \$/kW
Primary Metering Allowance for transformer losses – applied to measured demand and energy	(1.00) %

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Customer Administration

Easement letter	15.00
Credit reference/credit check (plus credit agency costs)	15.00
Returned cheque charge (plus bank charges)	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	30.00
Meter Dispute Charge	30.00
plus Measurement Canada fees (if meter found correct)	60.00

Non-Payment of Account

Late Payment - per month	1.50 %
Late Payment - per annum	19.56 %
Collection of account charge – no disconnection	30.00
Disconnect/Reconnect charge - At Meter – during regular hours	65.00
Disconnect/Reconnect charge - At Meter – after regular hours	185.00
Disconnect/Reconnect charge - At Pole – during regular hours	185.00
Disconnect/Reconnect charge - At Pole – after regular hours	415.00

Install/Remove load control device – during regular hours	65.00
Install/Remove load control device – after regular hours	185.00

OTHER

Temporary Service – Install and remove – overhead – no transformer	500.00
Temporary Service – Install and remove – underground – no transformer	300.00
Specific Charge for Access to the Power Poles – per pole/year	22.35

Brantford Power Inc.
TARIFF OF RATES AND CHARGES

Effective and Implementation Date November 1, 2013

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

Retail Service Charges (if applicable)

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	100.00
Monthly Fixed Charge, per retailer	20.00
Monthly Variable Charge, per customer, per retailer	0.50/cust.
Distributor-consolidated billing charge, per customer, per retailer	0.30/cust.
Retailer-consolidated billing credit, per customer, per retailer	(0.30)/cust.
Service Transaction Requests (STR)	
Request fee, per request, applied to the requesting party	0.25
Processing fee, per request, applied to the requesting party	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party	
Up to twice a year	no charge
More than twice a year, per request (plus incremental delivery costs)	2.00

Loss Factors

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0349
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0246

CONTACT INFORMATION

FOR BPI

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N3T 5N8
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SPECIFIC APPROVALS REQUESTED

In this proceeding, BPI is requesting the following approvals:

- Approval to charge rates effective November 1, 2013 to recover a revenue requirement of \$17,864,601 which includes a revenue deficiency of \$1,409,559 as set out in Exhibit 6, Schedule 1, Tab 1 the schedule of proposed rates is set out in Exhibit 8, Tab 1, Schedule 6.
- Approval of the CDM savings projected in the Load Forecast in Exhibit 3, Tab 2, Schedule 1 as the LRAM Variance Account baseline. Approval of the proposed loss factor as set out in Exhibit 8, Tab 1, Schedule 1.
- Approval to charge a Retail Transmission Network Service rate and a Retail Transmission Connection Rate as proposed and described in Exhibit 8, Tab 1, Schedule 1.
- Approval to charge Wholesale Market, as per the Wholesale Market Service Charge (EB-2013-0067) decision March 21, 2013; Rural Rate Protection (EB-2012-0453) decision December 20, 2012 and Smart Meter Entity Charges (EB-2012-0100/EB-2012-0211), decision dated March 28, 2013.
- Approval to continue the Transformer Allowance approved in the OEB Decision and Order in the matter of BPI's 2008 Distribution Rates (EB-2007-0698).
- Approval of changes to Specific Service Charges as set out in Exhibit 3, Tab 3, Schedule 4.
- Approval to dispose of the following Deferral and Variance Account balances as at December 31, 2012 including interest up to April 30, 2013 over a one year period using the method of recovery described in Exhibit 9, Tab 2, Schedule 2 for the following accounts.

GROUP 1 ACCOUNTS

- 1580 Retail Settlement Variance Account - Wholesale Market Service Charges
- 1584 Retail Settlement Variance Account - Retail Transmission Network Charges
- 1586 Retail Settlement Variance Account - Retail Transmission Connection Charges
- 1588 Retail Settlement Variance Account – Power (excluding Global Adjustment)
- 1589 Retail Settlement Variance Account - Power, Sub-account Global Adjustment
- 1595 Disposition and Recovery/Refund of Regulatory Balances

GROUP 2 ACCOUNTS

- 1508 Other Regulatory Assets - Sub-account OEB Cost Assessments
- 1508 Other Regulatory Assets – Sub-account - Other
- 1518 Retail Settlement Variance Account – Retail
- 1525 Miscellaneous Deferred Debits
- 1532 Renewable Connection OM&A Deferral Account
- 1548 Retail Settlement Variance Account – Service Transaction Request
- 1555 Smart Meter Capital and Recovery Offset Variance
- 1556 Smart Meter OM&A Variance
- 1582 Retail Settlement Variance Account – One-time
- 1592 PILs and Tax Variance for 2008 and Subsequent Year – Sub - account HST/OVAT Input Tax Credits
- Approval to recover LRAM amounts related to persistence of 2005-2010 programs in 2011 over a one year period, using the method of recovery described in Exhibit 4, Tab 4, Schedule 2.
- Approval to dispose of Smart Meter balances through a disposition rate rider over a 4 year period using the method of recovery as outlined in Exhibit 9, Tab 3, Schedule 1.
- Approval to dispose of Stranded Meter balances through a disposition rate rider over a 4 year period using the method of recovery as outlined in Exhibit 9, Tab 4, Schedule 1.
- Approval of Request for Accounting Order as described in Exhibit 9, Tab 2, Schedule 4.

- 1 It should be noted that this schedule does not list any charges or assessments that are required by
- 2 law to be charged by a distributor and that are not subject to Board approval, such as the Debt
- 3 Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and
- 4 Renewable Energy Program, the Provincial Benefit and any applicable taxes.

PROPOSED ISSUES LIST

The Applicant would expect, based on previous regulatory experience and other hearings, that the following matters pertaining to the 2013 Test Year may constitute issues in this Application:

1. GENERAL (Exhibit 1)

- Are the Applicant's overall economic and business planning assumptions for the Test Year appropriate?
- Is service quality, based on the Board specified performance indicators, acceptable?
- Is the proposed revenue requirement appropriate?

2. RATE BASE (Exhibit 2)

- Are the Applicant's asset management assumptions appropriate?
- Is the Applicant's capitalization and depreciation policy appropriate?
- Are the capital expenditures appropriate?
- Are the in-service dates accurate for projects closed prior to the Test Year and are they appropriate for proposed projects?
- Is the working capital allowance for the Test Year appropriate?
- Is the proposed rate base for the Test Year appropriate?
- Is the accounting for smart meters in rate base appropriate?
- Is the accounting for stranded meters appropriate?
- Is the basic Green Energy Plan appropriate?

3. LOADS, CUSTOMERS - THROUGHPUT REVENUE (Exhibit 3)

- Is the load forecast methodology including weather normalization appropriate?
- Are the proposed customers/connections and load forecasts (both kWh and kW) for the Test Year appropriate?
- Is CDM appropriately reflected in the load forecast?
- Are the proposed revenue offsets appropriate?

4. OPERATING COSTS (Exhibit 4)

- Is the overall OM&A forecast for the Test Year appropriate?
- Are the methodologies used to allocate shared services and other costs appropriate?
- Is the proposed level of depreciation/amortization expense for the Test Year appropriate?
- Are the 2013 compensation costs and employee levels appropriate?
- Is the Test Year forecast of PILs appropriate?

5. COST OF CAPITAL AND RATE OF RETURN (Exhibit 5)

- Is the proposed capital structure appropriate?
- Is the cost of debt appropriate?
- Is the proposed return on equity appropriate?

6. CALCULATION OF REVENUE DEFICIENCY OR SURPLUS (Exhibit 6)

- Is the calculation of Revenue Deficiency accurate?

7. COST ALLOCATION (Exhibit 7)

- Is the Applicant's cost allocation appropriate?
- Is the applicant's Cost Allocation including weighting factors appropriate?
- Are the proposed revenue-to-cost ratios appropriate?

8. RATE DESIGN (Exhibit 8)

- Are the customer charges and the fixed-variable splits for each class appropriate?
- Are the proposed Retail Transmission Service Rates appropriate?
- Are the proposed loss factors appropriate?
- Is the Applicant's proposed Tariff of Rates and Charges appropriate?

9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

- Are the account balances, cost allocation methodology and disposition plan appropriate?
- Is the request for an accounting order to authorize the creation of a variance account to capture specifically defined differences related to BPI's future transition to International Financial Reporting Standards appropriate?

1 **PROCEDURAL ORDERS/MOTIONS/NOTICES**

- 2 BPI requested and received permission to defer its Cost-of-Service Rate Application for 2012 to
3 2013.

ACCOUNTING ORDERS REQUESTED

As it is expected that BPI will adopt IFRS before the next Cost-of-Service Rate Application, BPI is requesting an accounting order to authorize the creation of a variance account to capture the following specific differences related to the transition to IFRS:

- Gains or losses on disposition of property, plant and equipment; and
- Other post unemployment & benefits.

The details of this requested accounting order are set out in Exhibit 9, Tab 2, Schedule 5, and Appendix A.

1 **COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS**

- 2 BPI has followed the accounting principles and main categories of accounts as stated in the
- 3 Board's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts
- 4 ("USoA") in the preparation of this Application.

DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM

Description of Distributor:

COMMUNITY SERVED:	City of Brantford
URBAN AREAS:	74 sq km
RURAL SERVICE AREA:	0 sq km
TOTAL SERVICE AREA:	74 sq km
DISTRIBUTION TYPE:	Electricity distribution
MUNICIPAL POPULATION:	95,960
POPULATION OF URBAN AREAS SERVED:	95,960

The Powerline Municipal Transformer Station (PMTS) is jointly owned by (BPI) with Brant County Power Inc. (BCPI) and was deemed a distribution asset in 2006 (EB-2005-0342). BPI owns 5/8 of the transformer station and BCPI owns 3/8.

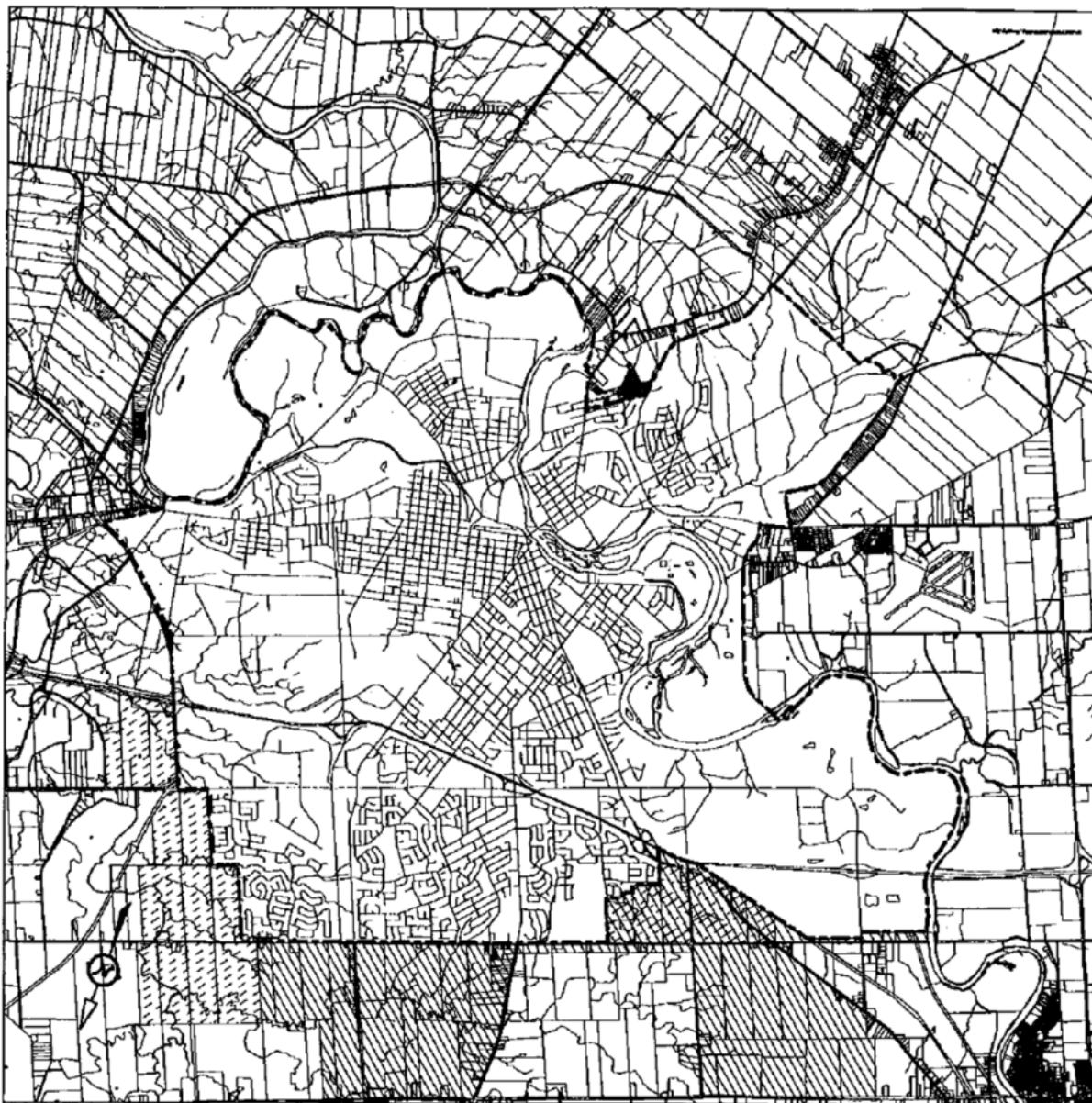
A map of BPI's Distribution Service Territory accompanies this Exhibit as Appendix B.

A schematic diagram of BPI's distribution system is attached in Appendix C.

APPENDIX B
MAP OF DISTRIBUTION SERVICE TERRITORY

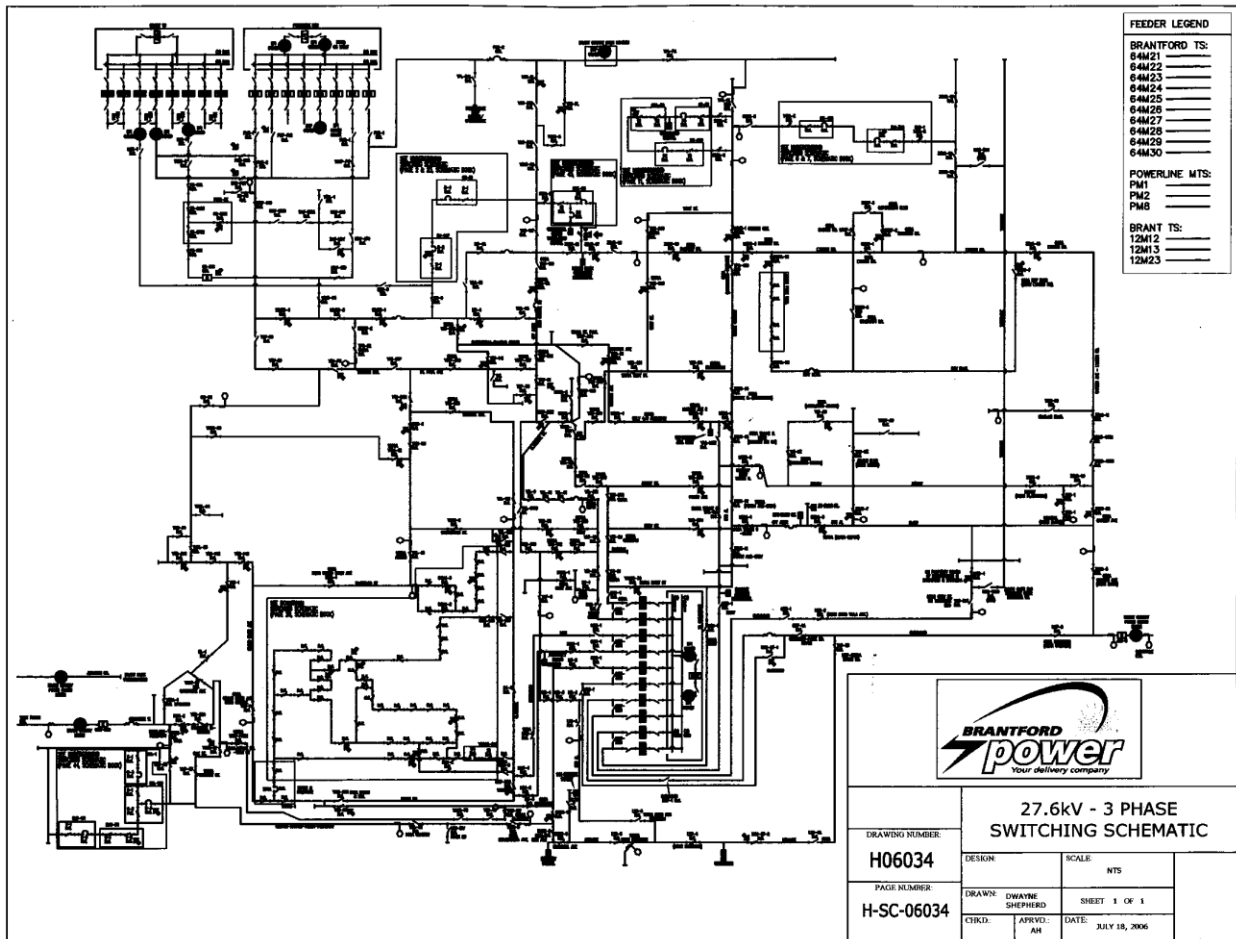
MAP OF DISTRIBUTION SERVICE TERRITORY

The outlined area represents BPI's service territory which is the existing City of Brantford municipal boundaries.



APPENDIX C
MAP OF DISTRIBUTION SYSTEM

MAP OF BRANTFORD POWER INC – DISTRIBUTION SYSTEM



1 **LIST OF NEIGHBOURING UTILITIES**

2 BPI is bounded by Brant County Power Inc. on all service territory boundaries.

3 Brant County Power Inc.	65 Dundas Street East
4	Paris, ON
5	N3L 3H1
6	Direct line: 519-422-2215
7	Direct fax: 519-442-3701
8	Email: info@brantcountypower.com

EXPLANATION OF HOST AND EMBEDDED UTILITIES

BPI acts as a host utility to Brant County Power Inc. ["BCPI"], which is a wholesale market participant, at the Brantford Transformer Station, Mary Street, Brantford. The Brantford Transformer Station is owned by Hydro One Networks Inc ["HONI"]. BPI provides electricity to BCPI from this location at two connection points.

Further, BPI provides electricity to BCPI from the Powerline Transformer Station at one connection point. As discussed above, the Powerline Municipal Transformer Station is owned and operated jointly by BPI and BCPI.

BPI receives electricity at distribution-level voltages from BCPI at Jennings Rd.

UTILITY ORGANIZATIONAL STRUCTURE

Since the 2008 Cost-of-Service Rate Application, BPI has undergone a significant corporate restructuring.

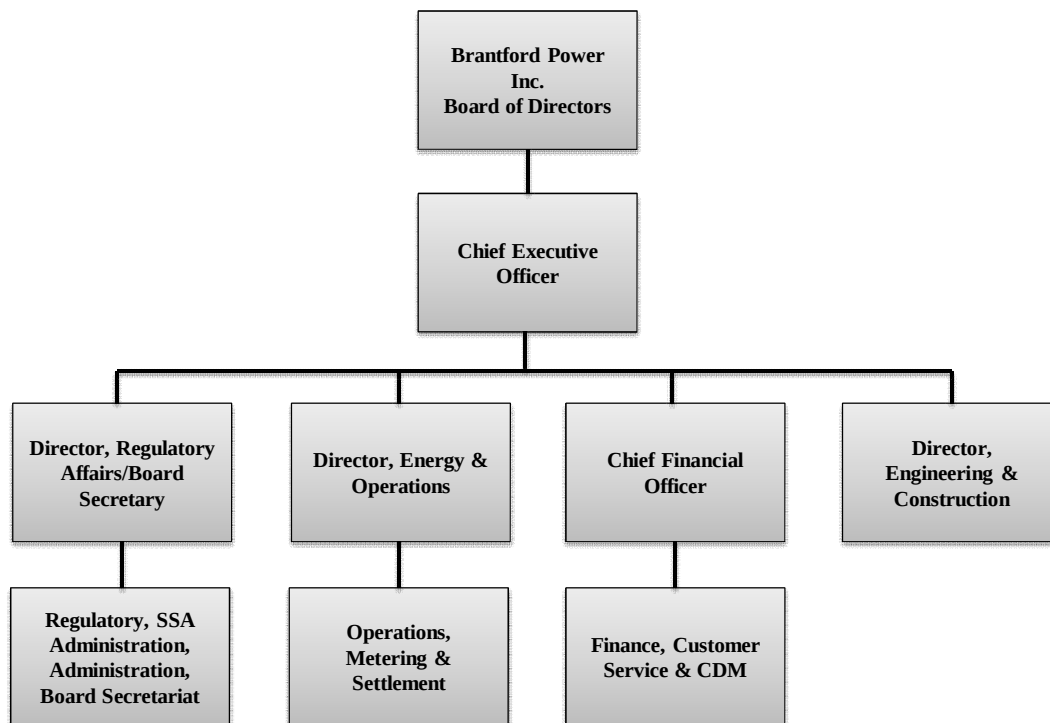
On April 1, 2012, approximately 60 employees were transferred from the Corporation of the City of Brantford [“the City”] to BPI. Functions transferred at that time included operations and maintenance, metering, settlement, engineering design and construction, customer services, finance, conservation and demand management, and regulatory and administration. The Chief Executive Officer, reporting to the BPI Board of Directors, had historically been an employee of BPI. The resultant utility organizational structure is set out in the organization chart below.

The details of this corporate reorganization and other internal reorganizations including the impacts on distribution expenses are discussed in details in Exhibit 4, Tab 2 Schedule 3.

The BPI Board of Directors is comprised of 5 directors, of whom 2 directors also sit on the Board of BPI’s holding company, Brantford Energy Corporation (“BEC”). No BPI staff sit on the BPI Board as directors.

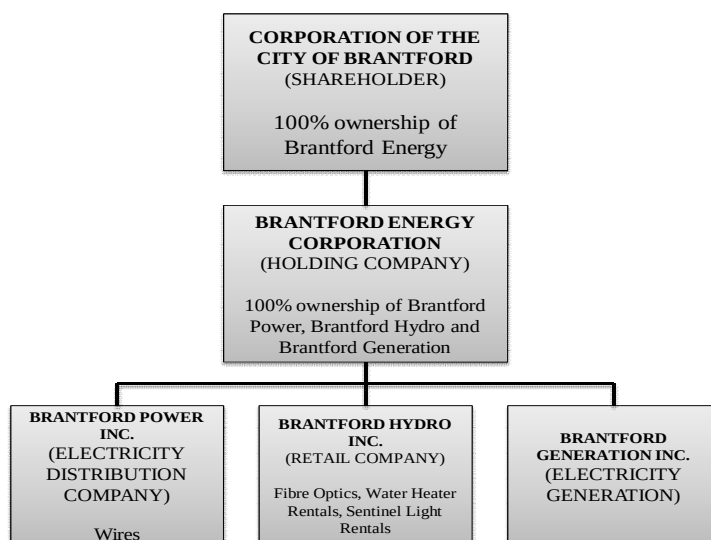
BPI purchases some services under a Service Agreement from its affiliate service provider, the City. Generally, those services include Accounts Payable processing, Payroll processing, Purchasing; Human Resources, IT Services including the use of IT assets, Legal and Real Estate, Records Management, Mail processing, Telephone services including the use of assets, Property Management including the use of facilities assets and tree trimming services. These services are discussed in greater detail in Exhibit 4, Tab 2, Schedule 6.

1 UTILITY ORGANIZATION STRUCTURE



1 CORPORATE ENTITIES RELATIONSHIP CHART

2 BRANTFORD ENERGY GROUP OF COMPANIES 3 CORPORATE STRUCTURE



4 BPI provides street lighting maintenance to the City of Brantford and sentinel lighting
5 maintenance to Brantford Hydro Inc. The accounting treatment of these revenues is discussed
6 further in Exhibit 3, Tab 3, Schedule 3.

- 1 **PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE**
- 2 No changes to BPI's corporate and operational structures are planned at the present time.

STATUS OF BOARD DIRECTIVES FROM PREVIOUS BOARD DECISIONS

Directive from 2008 Cost of Service Application (EB-2007-0698)

The Board prescribed a phase-in period to adjust its revenue-to-cost rates, moving the Sentinel Lighting and Street Lighting from their 2009 positions to the bottom of the Board's target ranges during 2010 and 2011. BPI has complied with this directive and as of its 2011 IRM Application (EB-2010-0238), Sentinel Lighting and Street Lighting Revenue-to-Cost Ratios have been moved to within the Board's target ranges.

2009 BCP Embedded Distribution Proceeding

On August 10, 2010, the Board rendered its decision in response to a motion by BCPI directing BPI to establish an embedded distributor class and apply for rates to be recovered from that class (Board File No. EB-2009-0063). In its decision, the Board permitted BPI to track the amount of any revenue deficiency that may result from the differences in the GS >50 kW rate and the resultant embedded distributor rate in a tracking account. Subsequently, the Board approved the rates for the new embedded distributor class effective May 1, 2008 and BPI has tracked the revenue deficiency in a variance account that BPI is requesting to dispose of in this proceeding as described in detail in Exhibit 9, Tab 2, Schedule 1.

CONDITIONS OF SERVICE

BPI's current Conditions of Service dated January 1, 2012 are posted on BPI's website at (www.brantfordpower.com). The Board approves BPI's distribution rates and charges, which are published in the existing "Schedule of Rates and Charges." These rates include, at a minimum, the monthly service charge for distribution services, the distribution volumetric charge, competitive and non-competitive electricity charges and specific service charges. The "Schedule of Rates and Charges" is included on a Rate Card sent to customers in their utility bill annually, is posted on the website at www.brantfordpower.com, or is available from BPI upon request by a customer. In addition to the Board approved specific service charges which are discussed in Exhibit 3, Tab 3, Schedule 4, BPI charges on a time and materials basis for activities that are outside of its standard level of service as described in the Conditions of Service. Activities subject to such time and materials based charges include, but are not limited to the following:

- a) Installations of primary and secondary services outside of normal business hours and at the request of the customer;
- b) Reconnections of service not related to collection activities outside of normal business hours and at the request of the customer;
- c) Trouble calls outside of normal business hours and at the request of the customer;
- d) Temporary service installation and removal where a transformer is required;
- e) Damage to equipment owned by BPI while in the care and custody of the customer;
- f) Damage to equipment owned by BPI due to customer neglect or action; for example, pole or transformer hits;
- g) Connection costs beyond BPI's standard level of services as defined in Section 2.1 of the Conditions of Service;
- h) Assistance from BPI to resolve electrical disturbances;
- i) Specialized metering arrangements;
- j) Interval metering equipment beyond BPI's standard level of service;
- k) Interval metering communications requirements;

- 1 l) Relocations of BPI equipment like poles at the request of the customers;
- 2 m) Relocations of BPI equipment where services were not located in consultation with BPI or
- 3 were removed without BPI's consent;
- 4 n) Ancillary services including, as examples, isolate and grounds, house moves, lifting lines and
- 5 pole holding.
- 6 There are no changes to BPI's Conditions of Service anticipated at the present time.

1 **PRELIMINARY LIST OF WITNESSES**

- 2 While BPI requests that this Application be disposed of by way of a written hearing
- 3 should an oral hearing be necessary, BPI will provide a list of potential witnesses as required.

SUMMARY OF THE APPLICATION

Preamble

BPI has submitted this Application in order to meet its corporate mission and corporate goals outlined below. The increased rates are required to:

- 1) Maintain current capital investment levels in infrastructure to ensure a safe, reliable distribution system.
- 2) Continue with operating expenses necessary to maintain and operate the distribution system, meet customer service expectations and ensure regulatory compliance.
- 3) Maintain current staffing requirements, including training and preparing for succession planning.
- 4) To provide a reasonable rate of return to the Shareholder.

BPI's Mission Statement is:

Brantford Power provides safe, reliable and competitively priced services to our customers while ensuring excellent shareholder returns.

Vision

Brantford Power is driven to be a leading electricity distribution company.

Values

Safety

Openness and integrity in all relationships

Innovation and creativity

A customer focus

Employee engagement

**BPI's SERVICE RELIABILITY AND QUALITY INDICATORS AVERAGE
PERFORMANCE FOR 2008 - 2013**

BPI's Service Reliability Indicators and Service Quality Indicators for 2008 to 2012 with its target for 2013 are set out below in Tables 1.1, 1.2 and 1.3

Table 1.1 – Service Reliability Indicators

Year	2008	2009	2010	2011	2012	2013*	2013**
<i>including Loss of Supply</i>							
SAIDI	0.863	0.982	1.087	0.490	0.305	0.627	0.746
SAIFI	1.713	1.387	1.954	1.169	1.231	1.452	1.491
CAIDI	0.504	0.708	0.556	0.432	0.248	0.412	0.490
<i>excluding Loss of Supply</i>							
SAIDI	0.600	0.400	0.665	0.288	0.213	0.388	0.433
SAIFI	1.400	0.630	0.960	0.832	1.231	1.008	1.011
CAIDI	0.430	0.650	0.694	0.448	0.173	0.438	0.479
* 3 year average							
** 5 year average							

Table 1.2 – Service Reliability Target - 2013

	<i>Including Loss of Supply</i>	<i>Excluding Loss of Supply</i>
SAIDI	0.75	0.43
SAIFI	1.49	1.01

As discussed further in Exhibit 2, Tab 3, Schedule 6, BPI's service reliability target is based on the 5 year average performance.

1 **Table 1.3 - Service Quality Indicators**

<i>Indicator</i>	<i>OEB Minimum Standard</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Connection of New Services - Low Voltage	90% within 5 business days	100%	100%	100%	99%	99.6%	100%
Connection of New Services - High Voltage	90% within 10 business days	100%	N/A	100%	N/A	N/A	N/A
Appointment Scheduling	90% within 5 business days	N/A	100%	100%	100%	100%	100%
Appointment - Met	90% of the time	100%	100%	100%	100%	99.5%	100%
Rescheduling a missed appointment	100% of the time (90% of the time until 2009)	N/A	98%	100%	89%	83%	100%
Telephone Accessibility	65% of calls answered within 30 seconds	80%	76%	71%	72%	64.7%	65%
Telephone Call Abandon Rate	10% or less on a yearly basis	N/A	3%	4%	5%	5.9%	7%
Written Responses to Enquiries	80% within 10 business days	98%	100%	100%	100%	99.8%	100%
Emergency Response - Urban Areas	80% within 60 minutes	100%	100%	100%	100%	100%	100%
Emergency Response - Rural Areas	80% within 120 minutes	N/A	N/A	N/A	N/A	N/A	N/A
Reconnection Performance Standard	85% within 2 business days	N/A	N/A	N/A	99%	100%	99%

2 An explanation for Service Quality Indicators under performance can be found at Exhibit 2, Tab
3 3, Schedule 6.

4 BPI's requested revenue requirement for 2013 in the amount of \$17,864,601 includes the
5 recovery of its costs to provide distribution services, its permitted Return on Equity ["ROE"] and
6 the funds necessary to service its debt.

7 When forecasted energy and demand levels for 2013 are considered, BPI estimates that its
8 present rates will produce a deficiency in gross distribution revenue of \$1,409,559 for the 2013
9 Test Year.

1 Therefore, BPI seeks the Board's approval to revise its electricity distribution rates. The rates
2 proposed to recover its projected revenue requirement and other relief sought are set out in
3 Exhibit 1, Tab 1, Schedule 2, Appendix A and Exhibit 8, Tab 1, Schedule 6 to this Application.

4 The information presented in this Application represents BPI's forecasted results for its 2013
5 Test Year. BPI is also presenting the forecasted results for 2012 Bridge Year and audited
6 financial information for fiscal 2008, 2009, 2010 and 2011.

7 **Timing**

8 The financial information supporting the Test Year for this Application will be BPI's fiscal year
9 ending December 31, 2013 (the "2013 Test Year"). However, BPI is requesting rates effective
10 November 1, 2013 continuing through April 30, 2014.

11 **Customer Impact**

12 In preparing this Application, BPI has considered the impacts on its customers, with a goal of
13 minimizing those impacts. With respect to cost allocation, BPI notes that no customer classes
14 fall outside the applicable threshold defined by the Board in the March 31, 2012 Report of the
15 Board on Review of Electricity Distribution Cost Allocation Policy (EB-2011-0219). Customer
16 impacts including the percentage average Total Bill Impact and Average Dollar Impact, which
17 include revised distribution rates (monthly service charge and volumetric rates), revised retail
18 transmission rates, revised loss factors, LRAM, Smart Meter and Stranded Meter rate riders, and
19 regulatory asset rate riders to dispose of the balances in the Deferral and Variance Accounts
20 requested in this Application are set out in Table 1.4 below, for typical Residential (800 kWh per
21 month) and Commercial (2000 kWh per month) customers. A complete listing of bill impacts
22 for all customer classes at various levels of consumption is provided in Exhibit 8, Tab 1,
23 Schedule 8, Appendix A.

Transition to Modified International Financial Reporting Standards (MIFRS) (Modify for CGAAP)

This Application has been prepared in Modified CGAP. BPI continues to monitor the developments in Canadian and International Accounting Standards impacting rate regulated entities. The following principles were considered in determining the accounting framework to be used as the basis for its Application:

- The selection of the accounting framework should provide maintain organizational flexibility regarding accounting options until all International Financial Reporting Standards (IFRS) uncertainties with respect to rate regulated accounting are resolved, i.e.: the selection of an accounting framework should not restrict BPI's eligibility for any future interim measures introduced by the International Accounting Standards Board (IASB) or Canadian Accounting Standards Board (AcSB) regarding rate regulated accounting;
- The selection of a new accounting framework should be made only when adoption is mandatory or when sufficient uncertainties regarding the treatment of rate regulated entities have been resolved to allow an informed decision to be made and avoid the possibility of multiple changes in accounting for rate regulated entities as new standards are developed. This will avoid unnecessary confusion to the users of BPI's financial reporting; and
- To the extent possible, BPI should minimize differences between general purpose external financial reporting and the reporting required for rate regulation purposes.

Based on BPI's current assessment of the developments the following observations can be made:

- The mandatory adoption of use of IFRS for Canadian rate regulated entities can be deferred to January 1, 2015;
- The IASB has issued an exposure draft for an interim IFRS standard that if adopted, is expected to permit the continuation of existing rate regulated accounting practices. This interim measure will be in place until the IASB assesses the unique issues related to rate regulated

1 entities in its current conceptual framework to establish whether permanent changes are required
2 to International Financial Reporting Standards;

3 • This draft interim standard was issued in April 2013, and could result in the approval of a
4 final interim standard for rate regulated entities by the end of 2013. Based on current
5 expectations, mandatory transition to IFRS is expected to be no later than January 1, 2015 with
6 restatement of the opening balance sheet as at January 1, 2014 and restated comparative figures
7 for 2014 prepared using IFRS. The new standard may provide for early adoption.

8 • Based on the discussions at the IASB to date, it appears a utility's migration to IFRS
9 prior to the issuance of any interim standards for rate regulated entities would likely disqualify
10 an entity from applying the provisions of any interim standard issued for rate regulated entities
11 transitioning to IFRS;

12 • The Board expects local distribution companies to adopt the IAS 16 Property Plant and
13 Equipment standards with respect to capitalization of indirect overheads and revisions to useful
14 life for rate regulation purposes in 2013.

15
16 Based on the above analysis, BPI has concluded that it is not in its interest to adopt IFRS in 2013
17 for general purpose financial reporting because:

18 • With the deferral option available until 2015, there is no pressing need to proceed to
19 adopt at this time and such adoption would likely result in giving up any of the transitional
20 measures likely available in the interim standard expected to be issued in 2013;

21 • Although BPI has addressed most of the IFRS requirements in its primary business
22 processes, work remains on the required IFRS note disclosures. It is prudent that this work be
23 completed before transitioning to IFRS;

24 • By not adopting in 2013 for general purpose reporting, there is no requirement to change
25 retrospectively any 2012 account balances.

1 As a result of BPI's decision to stay with CGAAP for general purpose financial reporting, BPI
2 has concluded that the continuation of CGAAP for rate regulatory purposes would produce the
3 following benefits consistent with the above note principles:

4 • The accounting framework in use for regulatory reporting and for general purpose
5 financial reporting will be substantially harmonized;

6 • The avoidance of a full conversion to IFRS in 2013, will simplify the information
7 required in the 2013 Cost-of-Service Rate Application as no evidence will be required regarding
8 variances caused by IFRS transition with the exception of the changes capitalization and useful
9 lives, impacting the accounting of Property Plant and Equipment; and

10 • BPI will remain eligible for any IFRS rate regulated interim standards which may be
11 issued.

Table 1.4: Bill Impact: Residential and Commercial

Bill Impacts

Customer Class: Residential									
Consumption 800 kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after									
Charge Unit	Current Board-Approved			Proposed			Impact		
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change	
Monthly Service Charge	\$ 11.4600	1	\$ 11.46	\$ 12.5200	1	\$ 12.52	\$ 1.06	9.25%	
Smart Meter Rate Adder		1	\$ -		1	\$ -	\$ -		
Smart Meter Disposition Rate Rider		1	\$ -	-\$ 0.1900	1	-\$ 0.19	-\$ 0.19		
Smart Metering Entity Charge		1	\$ -	\$ 0.7880	1	\$ 0.79	\$ 0.79		
Stranded Meter Recovery Rate Rider		1	\$ -	\$ 1.7600	1	\$ 1.76	\$ 1.76		
		1	\$ -		1	\$ -	\$ -		
Distribution Volumetric Rate	\$ 0.0138	800	\$ 11.04	\$ 0.0151	800	\$ 12.08	\$ 1.04	9.42%	
		1	\$ -		1	\$ -	\$ -		
LRAM & SSM Rate Rider	\$ 0.0013	800	\$ 1.04	\$ 0.0003	800	\$ 0.21	-\$ 0.83	-79.41%	
Tax change	-\$ 0.0005	800	-\$ 0.40		800	\$ -	\$ 0.40	-100.00%	
		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
Sub-Total A			\$ 23.14			\$ 27.17	\$ 4.03	17.43%	
Deferral/Variance Account	-\$ 0.0070	800	-\$ 5.60	-\$ 0.0039	800	-\$ 3.11	\$ 2.49	-44.49%	
Disposition Rate Rider		800	\$ -		800	\$ -	\$ -		
Global Adjustment - Non RPP		800	\$ -		800	\$ -	\$ -		
		800	\$ -		800	\$ -	\$ -		
Low Voltage Service Charge		800	\$ -		800	\$ -	\$ -		
Smart Meter Entity Charge		800	\$ -		800	\$ -	\$ -		
Sub-Total B - Distribution (includes Sub-Total A)			\$ 17.54			\$ 24.06	\$ 6.52	37.19%	
RTSR - Network	\$ 0.0080	834	\$ 6.67	\$ 0.0084	828	\$ 6.95	\$ 0.29	4.28%	
RTSR - Line and Transformation Connection	\$ 0.0055	834	\$ 4.58	\$ 0.0057	828	\$ 4.72	\$ 0.13	2.93%	
Sub-Total C - Delivery (including Sub-Total B)			\$ 28.79			\$ 35.74	\$ 6.94	24.11%	
Wholesale Market Service Charge (WMSC)	\$ 0.0052	834	\$ 4.33	\$ 0.0044	828	\$ 3.64	-\$ 0.69	-15.96%	
Rural and Remote Rate Protection (RRRP)	\$ 0.0011	834	\$ 0.92	\$ 0.0012	828	\$ 0.99	\$ 0.08	8.35%	
Standard Supply Service Charge	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%	
Debt Retirement Charge (DRC)	\$ 0.0070	834	\$ 5.84	\$ 0.0070	828	\$ 5.80	-\$ 0.04	-0.68%	
Energy - RPP - Tier 1	\$ 0.0780	600	\$ 46.80	\$ 0.0780	600	\$ 46.80	\$ -	0.00%	
Energy - RPP - Tier 2	\$ 0.0910	234	\$ 21.26	\$ 0.0910	228	\$ 20.74	-\$ 0.52	-2.43%	
TOU - Off Peak	\$ 0.0670	534	\$ 35.74	\$ 0.0670	530	\$ 35.50	-\$ 0.24	-0.68%	
TOU - Mid Peak	\$ 0.1040	150	\$ 15.60	\$ 0.1040	149	\$ 15.50	-\$ 0.11	-0.68%	
TOU - On Peak	\$ 0.1240	150	\$ 18.61	\$ 0.1240	149	\$ 18.48	-\$ 0.13	-0.68%	
Total Bill on RPP (before Taxes)			\$ 108.19			\$ 113.96	\$ 5.77	5.33%	
HST	13%		\$ 14.06	13%		\$ 14.81	\$ 0.75	5.33%	
Total Bill (including HST)			\$ 122.25			\$ 128.77	\$ 6.52	5.33%	
Ontario Clean Energy Benefit ¹			-\$ 12.23			-\$ 12.88	-\$ 0.65	5.31%	
Total Bill on RPP (including OCEB)			\$ 110.02			\$ 115.89	\$ 5.87	5.34%	
Total Bill on TOU (before Taxes)			\$ 110.09			\$ 115.90	\$ 5.81	5.28%	
HST	13%		\$ 14.31	13%		\$ 15.07	\$ 0.76	5.28%	
Total Bill (including HST)			\$ 124.40			\$ 130.96	\$ 6.57	5.28%	
Ontario Clean Energy Benefit ¹			-\$ 12.44			-\$ 13.10	-\$ 0.66	5.31%	
Total Bill on TOU (including OCEB)			\$ 111.96			\$ 117.86	\$ 5.91	5.28%	
Loss Factor (%)		4.20%			3.49%				

Bill Impacts

Customer Class: **GS<50**

Consumption **2000 kWh** ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after

Charge Unit	Current Board-Approved			Proposed			Impact	
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	\$ 24.8100	1	\$ 24.81	\$ 27.1300	1	\$ 27.13	\$ 2.32	9.35%
Smart Meter Rate Adder		1	\$ -		1	\$ -	\$ -	
Smart Meter Disposition Rate Rider		1	\$ -	-\$ 0.7700	1	-\$ 0.77	-\$ 0.77	
Smart Metering Entity Charge		1	\$ -	\$ 0.7880	1	\$ 0.79	\$ 0.79	
Stranded Meter Recovery Rate Rider		1	\$ -	\$ 1.7500	1	\$ 1.75	\$ 1.75	
		1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	\$ 0.0065	2000	\$ 13.00	\$ 0.0071	2000	\$ 14.20	\$ 1.20	9.23%
Smart Meter Disposition Rider		1	\$ -		1	\$ -	\$ -	
LRAM & SSM Rate Rider	\$ 0.0004	2000	\$ 0.80	\$ 0.0002	2000	\$ 0.45	-\$ 0.35	-43.50%
Tax change	-\$ 0.0002	2000	-\$ 0.40		2000	\$ -	\$ 0.40	-100.00%
		2000	\$ -		2000	\$ -	\$ -	
		2000	\$ -		2000	\$ -	\$ -	
		2000	\$ -		2000	\$ -	\$ -	
		2000	\$ -		2000	\$ -	\$ -	
		2000	\$ -		2000	\$ -	\$ -	
		2000	\$ -		2000	\$ -	\$ -	
Sub-Total A			\$ 38.21			\$ 43.55	\$ 5.34	13.98%
Deferral/Variance Account	-\$ 0.0052	2000	-\$ 10.40	-\$ 0.0039	2000	-\$ 7.77	\$ 2.63	-25.27%
Disposition Rate Rider		2000	\$ -		2000	\$ -	\$ -	
Global Adjustment - Non RPP		2000	\$ -		2000	\$ -	\$ -	
		2000	\$ -		2000	\$ -	\$ -	
Low Voltage Service Charge		2000	\$ -		2000	\$ -	\$ -	
Smart Meter Entity Charge					2000	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)			\$ 27.81			\$ 35.78	\$ 7.97	28.65%
RTSR - Network	\$ 0.0072	2084	\$ 15.00	\$ 0.0076	2070	\$ 15.73	\$ 0.73	4.84%
RTSR - Line and Transformation Connection	\$ 0.0048	2084	\$ 10.00	\$ 0.0049	2070	\$ 10.14	\$ 0.14	1.39%
Sub-Total C - Delivery (including Sub-Total B)			\$ 52.82			\$ 61.65	\$ 8.83	16.72%
Wholesale Market Service Charge (WMSC)	\$ 0.0052	2084	\$ 10.84	\$ 0.0044	2070	\$ 9.11	-\$ 1.73	-15.96%
Rural and Remote Rate Protection (RRRP)	\$ 0.0011	2084	\$ 2.29	\$ 0.0012	2070	\$ 2.48	\$ 0.19	8.35%
Standard Supply Service Charge	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)	\$ 0.0070	2084	\$ 14.59	\$ 0.0070	2070	\$ 14.49	-\$ 0.10	-0.68%
Energy - RPP - Tier 1	\$ 0.0780	600	\$ 46.80	\$ 0.0780	600	\$ 46.80	\$ -	0.00%
Energy - RPP - Tier 2	\$ 0.0910	1484	\$ 135.04	\$ 0.0910	1470	\$ 133.75	-\$ 1.29	-0.96%
TOU - Off Peak	\$ 0.0670	1334	\$ 89.36	\$ 0.0670	1325	\$ 88.75	-\$ 0.61	-0.68%
TOU - Mid Peak	\$ 0.1040	375	\$ 39.01	\$ 0.1040	373	\$ 38.75	-\$ 0.27	-0.68%
TOU - On Peak	\$ 0.1240	375	\$ 46.51	\$ 0.1240	373	\$ 46.20	-\$ 0.32	-0.68%
Total Bill on RPP (before Taxes)			\$ 262.63			\$ 268.53	\$ 5.90	2.25%
HST	13%		\$ 34.14	13%		\$ 34.91	\$ 0.77	2.25%
Total Bill (including HST)			\$ 296.77			\$ 303.44	\$ 6.67	2.25%
Ontario Clean Energy Benefit ¹			-\$ 29.68			-\$ 30.34	-\$ 0.66	2.22%
Total Bill on RPP (including OCEB)			\$ 267.09			\$ 273.10	\$ 6.01	2.25%
Total Bill on TOU (before Taxes)			\$ 255.67			\$ 261.68	\$ 6.00	2.35%
HST	13%		\$ 33.24	13%		\$ 34.02	\$ 0.78	2.35%
Total Bill (including HST)			\$ 288.91			\$ 295.70	\$ 6.78	2.35%
Ontario Clean Energy Benefit ¹			-\$ 28.89			-\$ 29.57	-\$ 0.68	2.35%
Total Bill on TOU (including OCEB)			\$ 260.02			\$ 266.13	\$ 6.10	2.35%

Loss Factor (%)

4.20%

3.49%

Bill Impacts

Customer Class: GS>50

Consumption ☒ 100 kW
Consumption ☐ 39,339 kWh☒ May 1 - October 31☐ November 1 - April 30 (Select this radio button for applications filed after)

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 293.7100	1	\$ 293.71	\$ 320.7800	1	\$ 320.78	\$ 27.07	9.22%
Smart Meter Rate Adder	Monthly		1	\$ -		1	\$ -	\$ -	
Stranded Meter Recovery			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kW	\$ 2.6043	100	\$ 260.43	\$ 2.8142	100	\$ 281.42	\$ 20.99	8.06%
Smart Meter Disposition Rider	Monthly		1	\$ -		1	\$ -	\$ -	
LRAM & SSM Rate Rider	per kW	\$ 0.0633	100	\$ 6.33	\$ 0.0157	100	\$ 1.57	\$ 4.76	-75.26%
Tax change	per kW	-\$ 0.0609	100	-\$ 6.09		100	\$ -	\$ 6.09	-100.00%
				\$ -		0	\$ -	\$ -	
				\$ -		0	\$ -	\$ -	
				\$ -		0	\$ -	\$ -	
				\$ -		0	\$ -	\$ -	
				\$ -		0	\$ -	\$ -	
				\$ -		0	\$ -	\$ -	
Sub-Total A				\$ 554.38			\$ 603.77	\$ 49.39	8.91%
Deferral/Variance Account	per kW	-\$ 1.8203	100	-\$ 182.03	-\$ 1.5264	100	-\$ 152.64	\$ 29.39	-16.14%
Disposition Rate Rider				\$ -		0	\$ -	\$ -	
Global Adjustment - Non RPP	per kWh	-\$ 0.5790	100	-\$ 57.90	\$ 0.7080	100	\$ 70.80	\$ 128.70	-222.27%
				\$ -		0	\$ -	\$ -	
				\$ -		0	\$ -	\$ -	
Low Voltage Service Charge				\$ -		0	\$ -	\$ -	
Smart Meter Entity Charge				\$ -		0	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 314.45			\$ 521.92	\$ 207.47	65.98%
RTSR - Network	per kW	\$ 2.4601	104	\$ 256.34	\$ 2.5958	103.49	\$ 268.64	\$ 12.30	4.80%
RTSR - Line and Transformation Connection	per kW	\$ 1.6398	104	\$ 170.87	\$ 1.6850	103.49	\$ 174.38	\$ 3.51	2.06%
Sub-Total C - Delivery (including Sub-Total B)				\$ 741.66			\$ 964.94	\$ 223.28	30.11%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	40991	\$ 213.15	\$ 0.0044	40711.9	\$ 179.13	-\$ 34.02	-15.96%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	40991	\$ 45.09	\$ 0.0012	40711.9	\$ 48.85	\$ 3.76	8.35%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)	per kWh	\$ 0.0070	40991	\$ 286.94	\$ 0.0070	40711.9	\$ 284.98	-\$ 1.96	-0.68%
Energy - RPP - Tier 1		\$ 0.0750	0	\$ -	\$ 0.0750	0	\$ -	\$ -	
Energy - RPP - Tier 2		\$ 0.0880	0	\$ -	\$ 0.0880	0	\$ -	\$ -	
Energy - COP		\$0.08717	40991	\$ 3,573.21	\$0.08717	40711.9	\$ 3,548.86	-\$ 24.35	-0.68%
Total Bill				\$ 4,860.30			\$ 5,027.02	\$ 166.72	3.43%
HST		13%		\$ 631.84	13%		\$ 653.51	\$ 21.67	3.43%
Total Bill (including HST)				\$ 5,492.14			\$ 5,680.53	\$ 188.39	3.43%
Ontario Clean Energy Benefit ¹				-\$ 549.21			-\$ 568.05	-\$ 18.84	3.43%
Total Bill on TOU (including OCEB)				\$ 4,942.93			\$ 5,112.48	\$ 169.55	3.43%

Loss Factor (%)

4.20%

3.49%

Smart Meters

Smart meter costs are included in the 2013 rate base and revenue requirement. BPI is also requesting the recovery of stranded meter amounts as outlined in Exhibit 9 of this Application.

Capital Structure

BPI is requesting the continuation of its current deemed capital structure of 40% Equity, 4% Short Term Debt, 56% Long Term Debt.

Return on Equity

BPI has assumed a return on equity of 8.98% consistent with the Cost of Capital Parameter Updates for 2013 Cost of Service Applications issued by the Board on February 14, 2013. BPI understands the Board will be finalizing the cost of capital parameters for 2013 rates based on January 2013 market interest rate information, and that adjustments to the Application may be required as a result.

Capital Expenditures

BPI continues to expand and reinforce its distribution system in order to meet the demand of new and existing customers in its service territory. Expenditures are also being made to meet regulations set out by both the Board and IESO including load transfers and primary metering points.

BUDGET OVERVIEW

1 The current budget process is a bottom-up process [i.e. prepared by the managers of the
2 operating departments] with some high-level guidance from the CFO and Senior Leadership
3 Team (SLT). Such high level guidance for 2013 required the accommodation of changes to
4 compensation and other new nondiscretionary changes to costs that could not be accommodated
5 within existing budget base, but otherwise staff were instructed to proceed with 0% increases in
6 other cost areas. Departments are expected to highlight any non-discretionary increases. It is
7 expected that the Department Heads incorporate guidance from the strategic plan into their initial
8 budget submissions. The BPI budget process begins with Department Heads putting forth capital
9 or operational requests which are reviewed by the SLT and if accepted, are incorporated into the
10 budget. Finance relies on Department Heads to present reasonable and relevant requests to the
11 team with justification for any deviations to the guidelines. Although the focus of the
12 Operational and Capital Budget is the immediate fiscal year, the requests must be consistent with
13 the financial parameters expected over a five year period. Among the factors considered are
14 expected level of customer or load growth, expected cost increases due to inflation or new
15 requirements. IRM productivity requirements are generally offset by new cost requirements.

16 In addition to the detailed scrutiny of submissions, overall reasonableness checks are achieved by
17 performing comparisons to previous year actuals, current year budget and projections to the
18 levels proposed in the new budget. This baseline is then forecasted out for four additional fiscal
19 years to assess the sustainability of the budget proposal within the overall financial plan.

20 With respect to financing costs, the budget is based on the actual financing cost for the existing
21 portfolio of debt instruments plus a forecast for the upcoming budget year requirements. Of note
22 is the fact that BPI has not planned for any new borrowings in 2013.

23 The proposed capital budget reflects a number of specific components. Projects other than
24 nondiscretionary projects are based on BPI's asset management program and outputs. Non-
25 discretionary projects are based on historical trends or known projects that have been identified.
26 Non-discretionary projects represent projects related to identified or anticipated new services, or

1 the cost of relocation of electricity distribution plant because of municipal or provincial road
2 widening's/relocations.

3 Replacements to fleet units are based on the fleet management program and are detailed in the
4 capital budget on a specific item basis.

5 The level of capital expenditures has been impacted by the required change in capitalization
6 policy to be implemented in 2013 dealing with indirect overhead costs. The former capitalization
7 policy was approved by the BPI Board in 2006. This former two-staged process was a cost
8 allocation process as follows. Firstly, the applicable share of indirect costs was attributed 100%
9 to the applicable direct expense activity. This initial cost allocation process determined the fully
10 absorbed gross costs of each distinct department of service area. As a result of this initial cost
11 allocation step, a department or service area reflected its share of indirect costs. The second cost
12 allocation step accomplished the capitalization of indirect costs by, transferring an appropriate
13 amount of these fully absorbed costs to the capital and recoverable works programs based on the
14 labour units supporting these non OM&A cost activities. Once this allocation was completed,
15 the costs remaining in OM&A represented the fully absorbed OM&A costs.

16 The resulting level of OM&A costs depended on how much indirect costs were assigned to a
17 particular department or service area in the first cost allocation step and the extent that
18 department or service area contributed to the capital and recoverable works programs in the
19 second stage of the cost allocation process.

20 With the required change in capitalization practices mandated in 2013, the second step outlined
21 above has been discontinued resulting in all OM&A expenses being recorded on a fully absorbed
22 basis.

23 Once the various budget items have been compiled, the working version of the budget is updated
24 as required to reflect required revisions as determined by the by the SLT comprised of BPI's
25 CEO and Directors.

1 Once the SLT has concluded the budget is acceptable, the proposed budget is submitted to the
2 BPI Board for approval and subject to their approval, it is submitted to the Brantford Energy
3 Corporation Board (shareholder of BPI) for final approval.

4 BPI compiles budget information for the three major components of the budgeting process:
5 revenue forecasts, operating and maintenance expense forecast and capital budget forecast. This
6 budget information is compiled for both the 2012 Bridge Year and the 2013 Test Year.

7 **Revenue Forecast**

8 BPI's energy sales and revenue forecast model were updated to reflect more recent information.
9 This model was then used to prepare the revenues sales and throughput volume and revenue
10 forecast at existing rates for fiscal 2012 and 2013. The forecast is weather normalized as
11 outlined in Exhibit 3, Tab 2, Schedule 1 and considers such factors as average weather
12 conditions and economic conditions in the area serviced by BPI.

13 **Operating Maintenance and Administration ("OM&A") Expense Forecast**

14 The OM&A expenses for the 2012 Bridge Year and the 2013 Test Year have been based on an
15 in-depth review of operating priorities and requirements and is strongly influenced by prior year
16 experience, year-to-date results and expected changes for the forecast periods. Each item is
17 reviewed account by account for each of the forecast years with indirect costs allocated to direct
18 costs for budget presentation.

19 **Capital Budget**

20 The 2012 capital plan, a blend of actual and forecasted costs and the 2013 capital budget
21 forecasts are influenced by, among other factors, the highest priority capital requirements and
22 BPI's capacity to finance capital projects. All proposed capital projects, are assessed within the
23 framework of their capital budget priority and are outlined in Exhibit 2, Tab 3, Schedule 2.

24 BPI began the development and implementation of an Asset Management Program in June 2010
25 to support a rate rebasing Application and improve the overall management of capital assets.

- 1 The implementation and improvement of the program is an ongoing project which BPI is
- 2 undertaking in consultation with Asset Management specialists. More information on the Asset
- 3 Management Program can be found in Exhibit 2, Tab 3, Schedule 5.

1 **CHANGES IN METHODOLOGY**

2 As compared with BPI's 2008 Cost-of-Service Rate Application, this Application reflects the
3 following changes to methodology.

- 4 1. Capitalization policy reflecting modified CGAAP;
- 5 2. Depreciation reflecting modified CGAAP;
- 6 3. Capital planning approach with the introduction of asset management;
- 7 4. Load forecast methodology; and
- 8 5. Transfer pricing mechanisms for services purchased from the City of Brantford.

1 **REVENUE DEFICIENCY**

2 BPI has provided detailed calculations supporting its 2013 revenue deficiency. BPI's net
3 revenue deficiency is \$1,069,602 and when grossed up for PILs BPI's revenue deficiency is
4 \$1,409,559. Table 1.5 on the following page provides the revenue deficiency calculations for the
5 2013 Test Year at Existing 2012 Board-approved rates and the 2013 Test Year Revenue
6 Requirement.

7

1 Table 1.5: Calculation of Revenue Deficiency

Revenue Deficiency Determination			
Description	2012 Bridge Actual	2013 Test Existing Rates	2013 Test - Required Revenue
Revenue			
Revenue Deficiency			1,409,559
Distribution Revenue	14,309,974	15,293,896	15,293,896
Other Operating Revenue (Net)	632,386	1,161,146	1,161,146
Total Revenue	14,942,360	16,455,042	17,864,601
Costs and Expenses			
Administrative & General, Billing & Collecting	4,898,507	5,594,429	5,594,429
Operation & Maintenance	2,914,167	3,609,596	3,609,596
Depreciation & Amortization	3,837,203	2,995,584	2,995,584
Property Taxes	5,091	12,000	12,000
Deemed Interest	2,300,897	2,346,500	2,346,500
Total Costs and Expenses	13,955,865	14,558,108	14,558,108
Utility Income Before Income Taxes	986,495	1,896,934	3,306,492
Income Taxes:			
Corporate Income Taxes	301,701	137,894	477,851
Total Income Taxes	301,701	137,894	477,851
Utility Net Income	684,794	1,759,040	2,828,641
Income Tax Expense Calculation:			
Accounting Income	986,495	1,896,934	3,306,492
Tax Adjustments to Accounting Income	274,678	(1,325,186)	(1,325,186)
Taxable Income	1,261,173	571,747	1,981,306
Income Tax Expense	301,701	137,894	477,851
Tax Rate Reflecting Tax Credits	23.92%	24.12%	24.12%
Actual Return on Rate Base:			
Rate Base	76,015,169	78,748,369	78,748,369
Interest Expense	2,300,897	2,346,500	2,346,500
Net Income	684,794	1,759,040	2,828,641
Total Actual Return on Rate Base	2,985,691	4,105,539	5,175,141
Actual Return on Rate Base	3.93%	5.21%	6.57%
Required Return on Rate Base:			
Rate Base	76,015,169	78,748,369	78,748,369
Return Rates:			
Return on Debt (Weighted)	5.04%	4.97%	4.97%
Return on Equity	8.57%	8.98%	8.98%
Deemed Interest Expense	2,300,897	2,346,500	2,346,500
Return On Equity	2,605,800	2,828,641	2,828,641
Total Return	4,906,697	5,175,141	5,175,141
Expected Return on Rate Base	6.45%	6.57%	6.57%
Revenue Deficiency After Tax	1,921,006	1,069,602	0
Revenue Deficiency Before Tax	2,525,056	1,409,559	0
Tax Exhibit			2013
Deemed Utility Income			2,828,641
Tax Adjustments to Accounting Income			(1,325,186)
Taxable Income prior to adjusting revenue to PILs			1,503,455
Tax Rate			24.12%
Total PILs before gross up			362,603
Grossed up PILs			477,851

CAUSES OF REVENUE DEFICIENCY

BPI's net revenue deficiency is calculated as \$1,069,602 and when grossed up for PILs, the revenue deficiency is \$1,409,559 BPI's calculation of its 2013 revenue deficiency is provided in Exhibit 1, Tab 2, Schedule 4 and Exhibit 6, Tab 1, Schedule 1.

The revenue deficiency is primarily the result of two factors:

1. Increases to OM&A costs due to the change in BPI's capitalization policy in the amount of \$972,502; and
2. Increases as a result of BPI's organizational restructuring in 2012 and the splitting of the customer invoice in 2013 offset by other cost reductions in the net amount of \$437,405.

The changes to BPI's capitalization policy are discussed in Exhibit 2, Tab 3, Schedule 4 and the cost impacts are discussed in Exhibit 4, Tab 2, Schedule 3 in relation to the cost Driver Table and description.

The changes to BPI's organizational structure and the cost impacts are discussed in Exhibit 4, Tab 2, Schedule 3.

REVENUE REQUIREMENT WORK FORM (RRWF)

Data Input ⁽¹⁾

	Initial Application	(2)		(6)		Per Board Decision
1	<u>Rate Base</u>					
Gross Fixed Assets (average)	\$99,621,478		\$	99,621,478		\$99,621,478
Accumulated Depreciation (average)	(\$34,814,160)	(5)		(\$34,814,160)		(\$34,814,160)
<u>Allowance for Working Capital:</u>						
Controllable Expenses	\$9,216,025		\$	9,216,025		\$9,216,025
Cost of Power	\$98,022,828		\$	98,022,828		\$98,022,828
Working Capital Rate (%)	13.00%	(9)		13.00%	(9)	13.00% (9)
2	<u>Utility Income</u>					
Operating Revenues:						
Distribution Revenue at Current Rates	\$15,293,896					
Distribution Revenue at Proposed Rates	\$16,703,454					
<u>Other Revenue:</u>						
Specific Service Charges	\$422,134					
Late Payment Charges	\$120,000					
Other Distribution Revenue	\$639,012					
Other Income and Deductions	(\$20,000)					
Total Revenue Offsets	\$1,161,146	(7)				
<u>Operating Expenses:</u>						
OM+A Expenses	\$9,204,025		\$	9,204,025		\$9,204,025
Depreciation/Amortization	\$2,995,584	(10)	\$	2,995,584		\$2,995,584
Property taxes	\$12,000		\$	12,000		\$12,000
Other expenses						
3	<u>Taxes/PILs</u>					
Taxable Income:						
Adjustments required to arrive at taxable income	(\$1,325,186)	(3)				
<u>Utility Income Taxes and Rates:</u>						
Income taxes (not grossed up)	\$362,603					
Income taxes (grossed up)	\$477,851					
Federal tax (%)	15.00%					
Provincial tax (%)	9.12%					
Income Tax Credits						
4	<u>Capitalization/Cost of Capital</u>					
<u>Capital Structure:</u>						
Long-term debt Capitalization Ratio (%)	56.0%					
Short-term debt Capitalization Ratio (%)	4.0%	(8)		(8)		(8)
Common Equity Capitalization Ratio (%)	40.0%					
Preferred Shares Capitalization Ratio (%)	100.0%					
<u>Cost of Capital</u>						
Long-term debt Cost Rate (%)	5.17%					
Short-term debt Cost Rate (%)	2.07%					
Common Equity Cost Rate (%)	8.98%					
Preferred Shares Cost Rate (%)						
Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS (\$)		(11)		(11)		(11)

Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application						Per Board Decision	
1	Gross Fixed Assets (average)	(3)	\$99,621,478		\$ -		\$99,621,478		\$ -	\$99,621,478
2	Accumulated Depreciation (average)	(3)	(\$34,814,160)		\$ -		(\$34,814,160)		\$ -	(\$34,814,160)
3	Net Fixed Assets (average)	(3)	\$64,807,318		\$ -		\$64,807,318		\$ -	\$64,807,318
4	Allowance for Working Capital	(1)	\$13,941,051		\$ -		\$13,941,051		\$ -	\$13,941,051
5	Total Rate Base		\$78,748,369		\$ -		\$78,748,369		\$ -	\$78,748,369

Allowance for Working Capital - Derivation

(1)

6	Controllable Expenses	\$9,216,025	\$ -	\$9,216,025	\$ -	\$9,216,025
7	Cost of Power	\$98,022,828	\$ -	\$98,022,828	\$ -	\$98,022,828
8	Working Capital Base	\$107,238,853	\$ -	\$107,238,853	\$ -	\$107,238,853
9	Working Capital Rate % (2)	13.00%	0.00%	13.00%	0.00%	13.00%
10	Working Capital Allowance	\$13,941,051	\$ -	\$13,941,051	\$ -	\$13,941,051

Utility Income

Line No.	Particulars	Initial Application					Per Board Decision
	Operating Revenues:						
1	Distribution Revenue (at Proposed Rates)	\$16,703,454	(\$16,703,454)	\$ -	\$ -	\$ -	\$ -
2	Other Revenue (1)	\$1,161,146	(\$1,161,146)	\$ -	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$17,864,600	(\$17,864,600)	\$ -	\$ -	\$ -	\$ -
	Operating Expenses:						
4	OM+A Expenses	\$9,204,025	\$ -	\$9,204,025	\$ -	\$9,204,025	\$9,204,025
5	Depreciation/Amortization	\$2,995,584	\$ -	\$2,995,584	\$ -	\$2,995,584	\$2,995,584
6	Property taxes	\$12,000	\$ -	\$12,000	\$ -	\$12,000	\$12,000
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$12,211,609	\$ -	\$12,211,609	\$ -	\$12,211,609	\$12,211,609
10	Deemed Interest Expense	\$2,345,126	(\$2,345,126)	\$ -	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$14,556,735	(\$2,345,126)	\$12,211,609	\$ -	\$12,211,609	\$12,211,609
12	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Utility income before income taxes	\$3,307,865	(\$15,519,474)	(\$12,211,609)	\$ -	(\$12,211,609)	(\$12,211,609)
14	Income taxes (grossed-up)	\$477,851	\$ -	\$477,851	\$ -	\$477,851	\$477,851
15	Utility net income	\$2,830,014	(\$15,519,474)	(\$12,689,460)	\$ -	(\$12,689,460)	(\$12,689,460)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$422,134		\$ -		\$ -
	Late Payment Charges	\$120,000		\$ -		\$ -
	Other Distribution Revenue	\$639,012		\$ -		\$ -
	Other Income and Deductions	(\$20,000)		\$ -		\$ -
	Total Revenue Offsets	\$1,161,146	\$ -	\$ -	\$ -	\$ -

Taxes/PILs

Line No.	Particulars	Application		Per Board Decision	
<u>Determination of Taxable Income</u>					
1	Utility net income before taxes	\$2,828,641	\$ -	\$ -	
2	Adjustments required to arrive at taxable utility income	(\$1,325,186)	\$ -	(\$1,325,186)	
3	Taxable income	\$1,503,455	\$ -	(\$1,325,186)	
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	\$362,603	\$362,603	\$362,603	
6	Total taxes	\$362,603	\$362,603	\$362,603	
7	Gross-up of Income Taxes	\$115,248	\$115,248	\$115,248	
8	Grossed-up Income Taxes	\$477,851	\$477,851	\$477,851	
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$477,851	\$477,851	\$477,851	
10	Other tax Credits	\$ -	\$ -	\$ -	
<u>Tax Rates</u>					
11	Federal tax (%)	15.00%	15.00%	15.00%	
12	Provincial tax (%)	9.12%	9.12%	9.12%	
13	Total tax rate (%)	24.12%	24.12%	24.12%	

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		Initial Application				
		(%)		(\$)		(\$)
	Debt					
1	Long-term Debt	56.00%		\$44,099,087	5.17%	\$2,279,923
2	Short-term Debt	4.00%		\$3,149,935	2.07%	\$65,204
3	Total Debt	60.00%		\$47,249,021	4.96%	\$2,345,126
	Equity					
4	Common Equity	40.00%		\$31,499,348	8.98%	\$2,828,641
5	Preferred Shares	0.00%		\$ -	0.00%	\$ -
6	Total Equity	40.00%		\$31,499,348	8.98%	\$2,828,641
7	Total	100.00%		\$78,748,369	6.57%	\$5,173,768
		Per Board Decision				
		(%)		(\$)		(\$)
	Debt					
1	Long-term Debt	0.00%		\$ -	0.00%	\$ -
2	Short-term Debt	0.00%		\$ -	0.00%	\$ -
3	Total Debt	0.00%		\$ -	0.00%	\$ -
	Equity					
4	Common Equity	0.00%		\$ -	0.00%	\$ -
5	Preferred Shares	0.00%		\$ -	0.00%	\$ -
6	Total Equity	0.00%		\$ -	0.00%	\$ -
7	Total	0.00%		\$78,748,369	0.00%	\$ -
		Per Board Decision				
		(%)		(\$)		(\$)
	Debt					
8	Long-term Debt	0.00%		\$ -	5.17%	\$ -
9	Short-term Debt	0.00%		\$ -	2.07%	\$ -
10	Total Debt	0.00%		\$ -	0.00%	\$ -
	Equity					
11	Common Equity	0.00%		\$ -	8.98%	\$ -
12	Preferred Shares	0.00%		\$ -	0.00%	\$ -
13	Total Equity	0.00%		\$ -	0.00%	\$ -
14	Total	0.00%		\$78,748,369	0.00%	\$ -

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application				Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$1,408,186		(\$3,503,478)		\$12,211,609
2	Distribution Revenue	\$15,293,896	\$15,295,268	\$15,293,896	\$20,206,932	\$ -	(\$12,211,609)
3	Other Operating Revenue Offsets - net	\$1,161,146	\$1,161,146	\$ -	\$ -	\$ -	\$ -
4	Total Revenue	\$16,455,042	\$17,864,600	\$15,293,896	\$16,703,454	\$ -	\$ -
5	Operating Expenses	\$12,211,609	\$12,211,609	\$12,211,609	\$12,211,609	\$12,211,609	\$12,211,609
6	Deemed Interest Expense	\$2,345,126	\$2,345,126	\$ -	\$ -	\$ -	\$ -
7	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS	\$ - (2)	\$ -	\$ - (2)	\$ -	\$ - (2)	\$ -
8	Total Cost and Expenses	\$14,556,735	\$14,556,735	\$12,211,609	\$12,211,609	\$12,211,609	\$12,211,609
9	Utility Income Before Income Taxes	\$1,898,307	\$3,307,865	\$3,082,287	\$4,491,845	(\$12,211,609)	(\$12,211,609)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$1,325,186)	(\$1,325,186)	(\$1,325,186)	(\$1,325,186)	\$ -	\$ -
11	Taxable Income	\$573,120	\$1,982,679	\$1,757,100	\$3,166,659	(\$12,211,609)	(\$12,211,609)
12	Income Tax Rate	24.12%	24.12%	24.12%	24.12%	24.12%	24.12%
13	Income Tax on Taxable Income	\$138,225	\$478,182	\$423,777	\$763,734	(\$2,945,194)	(\$2,945,194)
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	\$1,760,082	\$2,830,014	\$2,658,510	(\$12,689,460)	(\$9,266,415)	(\$12,689,460)
16	Utility Rate Base	\$78,748,369	\$78,748,369	\$78,748,369	\$78,748,369	\$78,748,369	\$78,748,369
17	Deemed Equity Portion of Rate Base	\$31,499,348	\$31,499,348	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	5.59%	8.98%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	8.98%	8.98%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-3.39%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	5.21%	6.57%	3.38%	0.00%	-11.77%	0.00%
22	Requested Rate of Return on Rate Base	6.57%	6.57%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-1.36%	0.00%	3.38%	0.00%	-11.77%	0.00%
24	Target Return on Equity	\$2,828,641	\$2,828,641	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$1,068,560	\$1,373	(\$2,658,510)	\$ -	\$9,266,415	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$1,408,186 (1)		(\$3,503,478) (1)		\$12,211,609 (1)	

Revenue Requirement

Line No.	Particulars	Application				Per Board Decision
1	OM&A Expenses	\$9,204,025		\$9,204,025		\$9,204,025
2	Amortization/Depreciation	\$2,995,584		\$2,995,584		\$2,995,584
3	Property Taxes	\$12,000		\$12,000		\$12,000
5	Income Taxes (Grossed up)	\$477,851		\$477,851		\$477,851
6	Other Expenses	\$ -				
7	Return					
	Deemed Interest Expense	\$2,345,126		\$ -		\$ -
	Return on Deemed Equity	\$2,828,641		\$ -		\$ -
	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS	\$ -		\$ -		\$ -
8	Service Revenue Requirement (before Revenues)	<u>\$17,863,228</u>		<u>\$12,689,460</u>		<u>\$12,689,460</u>
9	Revenue Offsets	<u>\$1,161,146</u>		<u>\$ -</u>		<u>\$ -</u>
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	<u>\$16,702,081</u>		<u>\$12,689,460</u>		<u>\$12,689,460</u>
11	Distribution revenue	\$16,703,454		\$ -		\$ -
12	Other revenue	<u>\$1,161,146</u>		<u>\$ -</u>		<u>\$ -</u>
13	Total revenue	<u>\$17,864,600</u>		<u>\$ -</u>		<u>\$ -</u>
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$1,373</u>	(1)	<u>(\$12,689,460)</u>	(1)	<u>(\$12,689,460)</u>

- 1 **FINANCIAL STATEMENTS – 2009, 2010 and 2011**
- 2 BPI's Audited Financial Statements accompany this Schedule as Appendix D.

APPENDIX D
COPIES OF BPI's
AUDITED FINANCIAL STATEMENTS FOR 2009, 2010 and 2011

FIN-1004-003

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Financial Statements of

Brantford Power Inc.

December 31, 2009

FIN-1001-003
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Brantford Power Inc.
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Financial Statements of

Brantford Power Inc.

December 31, 2009



Brantford Power Inc.
Management Report
December 31, 2009

The accompanying financial statements are the responsibility of management of Brantford Power Inc. In management's opinion, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by Deloitte and Touche LLP, the external auditors of the Company. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with Canadian generally accepted accounting principles.

The board of directors, through the finance committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The finance committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The finance committee also reviews the financial statements and annual report and recommends their approval to the board of directors. Deloitte and Touche LLP has full and free access to the finance committee, with and without the presence of management.

George Mychailenko
Chief Executive Officer
March 15, 2010

Brian D'Amboise, CA
Chief Financial Officer
March 15, 2010



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Burlington, ON L7P 5B1
Canada

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www.deloitte.ca

Auditors' Report

To the Board of Directors of
Brantford Power Inc.

We have audited the balance sheet of Brantford Power Inc as at December 31, 2009 and the statements of operations, retained earnings, comprehensive income 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 15, 2010

Brantford Power Inc.
Balance Sheet
as at December 31, 2009

Assets	2009	2008
	\$	\$
Current Assets		
Cash and cash equivalents	7,113,473	6,439,478
Accounts receivable	7,153,783	6,208,614
Unbilled revenue	9,612,975	8,349,543
Inventories	868,303	916,078
Special deposits	609,227	492,832
Prepaid expenses	140,368	175,205
Payments in lieu of corporate income taxes	851,475	958,164
Future payments in lieu of corporate income taxes - note 21	176,390	158,400
	26,525,994	23,698,314
Property, plant and equipment - note 6	59,828,069	59,176,093
Other Assets		
Regulatory assets - note 9	3,599,807	1,062,958
Long-term special deposits	1,969,598	1,928,864
Long-term prepaid expenses	130,754	161,279
Future payments in lieu of corporate income taxes - note 21	3,776,613	3,056,950
Intangible assets - note 7	1,054,952	209,495
	10,531,724	6,419,546
	96,885,787	89,293,953

See accompanying notes

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Brantford Power Inc.**Balance Sheet****as at December 31, 2009**

Liabilities and Shareholder's Equity	2009	2008
	\$	\$
Current Liabilities		
Accounts payable and accrued liabilities	9,948,753	9,413,650
Accounts payable to the City of Brantford - note 8	1,654,882	1,390,347
Interest payable to the City of Brantford - note 10	1,511,823	1,511,823
Due to Brantford Energy Corporation - note 8	26,880	77,044
Current portion of customer deposits	609,227	492,832
Current portion of long-term debt - note 10	499,546	474,847
	14,251,111	13,360,543
Long-term debt - note 10	35,818,427	32,461,093
Other Liabilities		
Regulatory liabilities - note 9	11,089,061	8,539,407
Long-term customer deposits	1,969,598	1,928,864
Employee future benefits - note 11	774,365	656,776
Derivative liabilities	492,360	996,127
	14,325,384	12,121,174
Contingencies and Commitments - note 12		
Shareholder's Equity		
Share capital - note 13	22,437,505	22,437,505
Retained Earnings	10,395,838	9,609,712
Accumulated Other Comprehensive Loss - note 14	(342,478)	(696,074)
	32,490,865	31,351,143
	96,885,787	89,293,953

Signed on behalf of the Board:

Director_____
Director

See accompanying notes

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Brantford Power Inc.
Statement of Retained Earnings
for the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Retained Earnings, Beginning of Year	9,609,712	8,082,607
Change in accounting policy for the recognition of future income tax regulatory liabilities - note 3	(682,930)	-
	<u>8,926,782</u>	<u>8,082,607</u>
Net Income	2,219,056	2,027,105
Dividends	(750,000)	(500,000)
Retained Earnings, End of Year	<u>10,395,838</u>	<u>9,609,712</u>

Brantford Power Inc.
Statement of Operations
for the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Revenue		
Electricity distribution service charges - note 16	14,806,796	15,033,534
Ontario Power Authority conservation programs	2,128,577	379,832
Specific service charges	575,804	589,631
Interest income	128,823	385,736
Other income	333,732	383,277
	<u>17,973,732</u>	<u>16,772,010</u>
Expenses		
Distribution operations and maintenance	3,415,860	3,380,706
Billing and collecting	2,011,243	1,804,568
General administration	2,261,022	2,466,566
Ontario Power Authority conservation programs	1,785,379	321,480
Interest on long-term debt	1,976,824	2,001,271
Other financing expenses	98,782	394,513
Capital tax	151,200	113,116
Amortization - note 18	3,166,455	3,029,972
	<u>14,866,765</u>	<u>13,512,192</u>
Income before payments in lieu of corporate income taxes	3,106,967	3,259,818
Payments in lieu of corporate income taxes		
Current - note 21	1,930,422	2,754,613
Future	(1,042,511)	(1,521,900)
	<u>887,911</u>	<u>1,232,713</u>
Net income	2,219,056	2,027,105

Brantford Power Inc.
Statement of Comprehensive Income
for the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Net Income	2,219,056	2,027,105
Other comprehensive income (loss)		
Unrealized gains (losses) on derivative instruments designated as cash flow hedges - Note 20	523,506	(890,425)
Future (payments) recoveries in lieu of corporate income taxes	(169,910)	258,230
	353,596	(632,195)
Comprehensive Income	2,572,652	1,394,910

Brantford Power Inc.
Statement of Cash Flows
for the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Operating activities		
Net income	2,219,056	2,027,105
Items not affecting cash		
Amortization - note 18	3,442,012	3,276,505
Future payments in lieu of corporate income taxes	(1,042,511)	(1,521,900)
Gain on disposal of property, plant and equipment	22,969	(4,550)
Other items not affecting cash	(374,248)	127,432
	<u>4,267,278</u>	<u>3,904,592</u>
Changes in non-cash working capital components - note 17	<u>(1,321,412)</u>	<u>(2,491,666)</u>
	<u>2,945,866</u>	<u>1,412,926</u>
Investing activities		
Acquisition of property, plant and equipment	(5,760,418)	(5,934,694)
(Increase) decrease in regulatory assets	(2,536,849)	220,768
Increase in regulatory liabilities	2,549,654	4,295,465
(Increase) decrease in special deposits	(157,129)	232,501
Proceeds from disposal of property, plant and equipment	104,333	4,550
	<u>(5,800,409)</u>	<u>(1,181,410)</u>
Financing activities		
Proceeds of issuance of long-term debt	3,851,000	-
Capital contributions received	745,256	627,571
Repayment of long-term debt	(474,847)	(428,547)
Increase (decrease) in customer deposits	157,129	(232,501)
Dividends paid	(750,000)	(500,000)
	<u>3,528,538</u>	<u>(533,477)</u>
Increase (decrease) in cash and cash equivalents	673,995	(301,961)
Cash and cash equivalents, beginning of year	6,439,478	6,741,439
Cash and cash equivalents, end of year	7,113,473	6,439,478
Supplemental Disclosure of Cash Flows		
Interest received	115,934	366,771
Interest paid	1,941,552	3,525,079
Payment for income taxes	3,176,710	4,202,885

See accompanying notes

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Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

1. Incorporation

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. Another affiliated company, Brantford Generation Inc., was incorporated in 2007. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation. The Company provides electricity distribution services to residents of the City of Brantford. The operations of the company are regulated by the Ontario Energy Board (OEB).

2. Accounting Policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the OEB under the authority of the Ontario Energy Board Act, 1998. Significant accounting policies are summarized below:

Regulation

The Company is regulated by the OEB and requires OEB approval for any distribution service rate adjustments. The following accounting policies applicable to rate regulated operations differ from GAAP for companies operating in an unregulated environment:

Regulatory assets and liabilities

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power incurred by the utility.

Regulatory assets and liabilities will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in the results of operations in the period that the assessment is made. Asset and liability balances and current year activities are detailed in Note 9.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

2. Accounting Policies - continued

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions towards the cost of constructing company assets. Capital contributions for the year of \$745,256 (2008 - \$627,571) have been recorded as an offset to capital assets. Amortization of contributed capital is recorded at an equivalent rate to that used for amortization of the related assets.

Allowance for use of funds during construction

The company capitalizes an allowance for use of funds during construction representing the cost of funds during the construction period. The rate used is prescribed by the OEB and updated on a quarterly basis. The total allowance for use of funds during construction capitalized for the year amounted to \$62,360 (2008 - \$73,397).

Payment in lieu of income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate taxes (PILS) to the Ontario Electricity Financial Corporation (OEFEC), for the period beginning on October 1, 2001. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) and modified by the *Electricity Act, 1998*, and related regulations.

The Company uses the asset and liability method of accounting for payments in lieu of corporate income taxes. Accordingly, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax rates. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. In addition, the effect of future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment or substantive enactment date.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Minister of Energy and Infrastructure.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

2. Accounting Policies - continued

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

Inventories

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or net realizable value determined using a weighted average method.

Property, plant and equipment

Property, plant and equipment 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 calculated on a straight-line basis over the estimated useful service life as follows.

Buildings	50 years
Transformer station	40 years
Distribution stations	30 years
Distribution lines - overhead	25 years
Distribution lines - underground	25 years
Distribution transformers	25 years
Distribution meters	25 years
Load control units	10 years
Vehicles	5-8 years
Tools and other equipment	5-10 years

Long-term prepaid expenses and special deposits

Long-term prepaid expenses consist of service fees paid providing the Company with the right to use non-owned specified tangible assets for future periods. These charges are amortized on a straight-line basis over 10 years representing the expected benefit period.

Amounts are recorded as special deposits when cash is collected related to customer deposits and are expected to be held for a period exceeding one year.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

2. Accounting Policies - continued

Revenue recognition

Distribution revenue is recorded as revenue in the period to which it relates. Distribution revenue includes an estimated accrual for the variable component of the distribution rate based on the electricity delivered but not yet billed to customers from the last meter reading date to the year end.

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

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter reading during the year to the balance sheet date.

Customer deposits

Customer deposits are cash collections from customers and retailers to guarantee the payment of electricity bills as prescribed by the OEB's Retail Settlement Code. Deposits expected to be refunded to customers within the next fiscal period are classified as a current liability.

Employee future benefits

The Company provides post-retirement medical and life insurance benefits to eligible employees. The cost of post-retirement medical and life insurance benefits is expensed using the projected benefit cost method prorated on services.

The Company has adopted the corridor method of accounting for the actuarially determined gains and losses. Cumulative gains and losses in excess of 10% of the beginning accrued benefit obligation are amortized into expense on a straight-line basis over the expected remaining lifetime of the inactive members receiving benefits under the plan (15 years)

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. Any adjustment to the liability of its fair value as a result of the passage of time is charged to earnings.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

2. Accounting Policies - continued

Comprehensive Income

CICA Handbook Section 1530 requires the presentation of comprehensive income and its components in a financial statement. Comprehensive income is composed of the Company's net income and other comprehensive income (OCI), which includes unrealized gains and losses on changes in the fair value of the effective portion of cash flow hedging instruments. The Company discloses comprehensive income in the financial statement "Statement of Comprehensive Income". The cumulative changes in OCI are included in Accumulated other comprehensive income net of tax (AOCI), which is presented as a category of Shareholder's equity on the Company's Balance Sheet.

Financial Instruments

All financial instruments are initially recorded on the balance sheet at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected by the Company for the financial instrument.

The Company has classified its financial instruments as follows:

Assets	Classification
Cash and cash equivalents	Held for trading (HFT)
Accounts receivable	Loans and receivables (LR)
Unbilled revenue	Loans and receivables (LR)
Special deposits	Held for trading (HFT)
Liabilities	Classification
Accounts payable and accrued liabilities	Other liabilities (OL)
Accounts payable to the City of Brantford	Other liabilities (OL)
Interest payable to the City of Brantford	Other liabilities (OL)
Due to affiliates	Other liabilities (OL)
Long-term debt	Other liabilities (OL)
Customer deposits	Other liabilities (OL)
Derivative liabilities	Held for trading (HFT)

The Company has elected to add transaction costs related to financial instruments classified as other than HFT to the carrying amount of the financial instrument.

The Company has elected to use settlement-date accounting for regular-way purchases and sales of financial assets.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

3. Changes in Accounting Policies

Effective January 1, 2009, the Company adopted the following new Canadian Institute of Chartered Accountants' (CICA) Handbook Sections:

- 1100, Generally Accepted Accounting Principles
- 3064, Goodwill and Intangibles
- 3465, Income Taxes
- 3862, Financial Instruments –Disclosures

Generally Accepted Accounting Principles

CICA Handbook Section 1100 was amended to remove the temporary exemption that provided relief to entities subject to rate regulation from the requirement to apply Section 1100 to the recognition and measurement of assets and liabilities arising from rate regulation. In accordance with Section 1100, the Company determined all of its regulatory assets and liabilities qualified for recognition under Canadian GAAP.

The implementation of this standard did not have any impact on the Company's results of operations or financial position.

Goodwill and Intangibles

In February 2008, CICA Handbook Section 3064 was issued, replacing Sections 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard provides more comprehensive guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets in accordance with the definition of an asset and the criteria for asset recognition, in particular for internally generated intangible assets.

This change in accounting standard has been adopted retrospectively and resulted in the reclassification of \$209,495 related to land rights, stranded meters and computer software previously included in property, plant and equipment to intangible assets on the balance sheet at December 31, 2008.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

3. Changes in Accounting Policies - continued

Income Taxes

In December 2007, the CICA revised Handbook Section 3465 Income Taxes. Amendments to this Handbook Section requires the recognition of future income tax assets and liabilities as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers. Section 3465 requires rate regulated companies to make these changes prospectively to its annual financial statements beginning January 1, 2009. The Company had elected to adopt the future income tax assets and liabilities on its financial statements beginning January 1, 2007. The Company adopted the requirement to record the separate regulatory asset or liability in its financial statements beginning January 1, 2009.

As of December 31, 2009, the Company recorded a regulatory liability of \$547,982 (note 9).

Financial Instruments - Disclosures and Presentation

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures to include additional disclosure requirements about the fair value measurement of financial instruments and enhanced liquidity risk disclosure. These amendments only impact the Company's disclosures and are reflected in note 20.

Section 3862 now requires that all financial instruments measured at fair value on the balance sheet be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- | | |
|---------|--|
| Level 1 | Inputs are unadjusted quoted prices of identical instruments in active markets. |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and |
| Level 3 | One or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments. |

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

4. Future Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP effective January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company of its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS on its financial statements. The Company does anticipate significant changes to those accounting policies which are unique to rate regulated entities under Canadian GAAP. In particular, the adoption of IFRS is expected to result in significant changes to the accounting of regulatory assets and liabilities and to the capitalization and other accounting policies applicable to self constructed property, plant and equipment. The Company also anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. At this time, the impact on the Company's future financial position and results of operations is not reasonably determinable or estimable.

5. Rate Setting

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

The Company purchases electricity from the Independent Electricity System Operator (the IESO) at spot market or prescribed rates and charges its customers unbundled rates. The unbundled rates include the actual cost or prescribed cost of the electricity, transmission, wholesale market service charges and an approved rate for electricity distribution. The cost of electricity transmission and connection charges and debt retirement charges are collected by Brantford Power Inc. and remitted to the IESO and the Ontario Electricity Financial Corporation (the OEFC) respectively. The Company retains the distribution charges reflected on the customer billings.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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5. Rate Setting - continued

The OEB has the general power to include or exclude costs, revenues, losses or gains in the distribution rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from customers in the future and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts of expenses incurred in different periods than would be the case had the company been unregulated.

Specific regulatory assets and liabilities are disclosed in note 9.

In the absence of rate regulation, distribution revenue would have been higher by \$339,249 (2008 - \$123,807), cost of power would have been lower by \$1,244,625 (2008 - \$4,209,110), distribution operations and maintenance would have been higher by \$29,756 (2008 - \$19,371) and interest income would have been higher by \$73,940 (2008 - \$271,720). The net effect, in the absence of rate regulation, is a pre-tax increase in net income for 2009 of \$1,628,058 (2008 - \$4,585,266).

The Company administers several programs through the Ontario Power Authority (OPA) conservation project. The revenues and expenses related to these programs are not subject to the regulation of the OEB.

On February 25, 2009, Brant County Power Inc. (BCPI) filed a motion with the OEB to review and vary the Company's 2008 Electricity Distribution Rates. BCPI is disputing the rates they are being charged as well as the date that the Company can bill retroactively. This motion has resulted in a written hearing that is in the final arguments stage. BCPI has refused to pay the monthly invoices that the Company has issued. As of December 31, 2009, accounts receivable for BCPI on this issue total \$1,261,555 (2008 - \$237,205). During 2009, the Company billed BCPI electricity distribution service charges in the amount of \$336,647 (2008 - \$236,986). The Company also billed transmission charges totaling \$669,987 (2008 - \$90,665).

On November 7, 2008 the Company filed an application for 2009 rates on the basis of the OEB's second generation Incentive Regulation Mechanism (IRM) policy which incorporates an OEB-approved formula that considers inflation and efficiency targets. On March 20, 2009, the OEB released its decision. The revised rates were approved with an effective date of May 1, 2009.

On October 21, 2009 the Company filed an application for 2010 rates also on the basis of the OEB's second generation IRM policy. This application has proposed the repayment of \$7,595,490 in regulatory assets and liabilities over a four year period. These rates would be effective May 1, 2010. At this time, the OEB has not issued its decision on this application.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

6. Property, Plant and Equipment

	2009			2008
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land	181,961	-	181,961	181,961
Buildings	1,163,732	124,710	1,039,022	1,062,296
Transformer station	4,469,541	556,385	3,913,156	4,024,895
Distribution stations	74,427	22,582	51,845	54,326
Distribution lines - overhead	25,773,737	7,436,732	18,337,005	18,124,699
Distribution lines - underground	27,781,094	6,587,742	21,193,352	19,627,578
Distribution transformers	16,194,089	4,334,280	11,859,809	11,614,562
Distribution meters	6,537,838	1,784,144	4,753,694	5,411,693
Load control units	547,972	502,305	45,667	100,464
Vehicles	2,681,297	1,811,237	870,060	832,698
Tools and other equipment	623,802	144,901	478,901	393,528
Capital contributions	(3,389,425)	(387,281)	(3,002,144)	(2,392,471)
Other utility plant	37,327	-	37,327	95,528
Work in progress	68,414	-	68,414	44,336
	82,745,806	22,917,737	59,828,069	59,176,093

7. Intangible Assets

	2009			2008
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land rights and easements	5,968	-	5,968	5,968
Stranded meters	1,209,614	284,149	925,465	69,267
Software	196,355	72,836	123,519	134,260
	1,411,937	356,985	1,054,952	209,495

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

8. Related Party Transactions

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford (the City). Brantford Energy Corporation also owns Brantford Hydro Inc. and Brantford Generation Inc.

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, customer care, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement. Total charges from the City under this shared agreement were \$8,678,167 (2008 - \$8,594,206). As at December 31, 2009 the balance owing to the City for these services was \$1,654,882 (2008 - \$1,390,347).

For the year ended December 31, 2009, the Company provided electricity to the City in the amount of \$4,796,370 (2008 - \$4,645,562). The Company also provided other services to the City in the amount of \$258,548 (2008 - \$319,989).

For the year ended December 31, 2009, the Company paid property tax to the City in the amount of \$22,352 (2008 - \$23,107)

The Company obtains management services from Brantford Energy Corporation. Total charges for these services were \$118,960 (2008 - \$176,889). As at December 31, 2009 the balance owing to Brantford Energy Corporation for these services was \$26,880 (2008 - \$77,044).

The Company charges pole rental fees to Brantford Hydro Inc. These rental fees allow fibre optic cables to be attached to the Company's distribution assets. Total rental fees for this access were \$40,856 (2008 - \$35,134).

The Company provided services to Brantford Generation Inc. on behalf of Hydro One Inc. Total charges for these services were \$461,876 (2008 - Nil)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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9. Regulatory Assets and Liabilities

Based on existing regulatory orders or the expectation of future regulatory orders, the Company has recorded the following amounts, net of income tax and amortization where applicable, which are expected to be recovered from or refunded to customers:

	<u>2009</u>	<u>2008</u>
	\$	\$
Regulatory assets		
Retail Market Settlement		
Retail settlement variance account - Global Adjustment	2,064,442	794,154
Retailer cost variance accounts	302,714	267,776
Other		
Smart meters	1,158,000	-
Other regulatory assets	74,651	1,028
Net regulatory assets	3,599,807	1,062,958
 Regulatory liabilities		
Retail Market Settlement		
Retail settlement variance accounts	9,200,367	6,661,387
Other		
Smart meters	-	281,633
Low voltage variance	33,642	33,294
Regulatory future income tax liability	547,982	-
Regulatory liabilities refundable through approved rate riders	1,307,070	1,563,093
Net regulatory liabilities	11,089,061	8,539,407

The retail settlement variance accounts represent differences between charges billed to customers using the prescribed prices as outlined in the OEB's Retail Settlement Code and the actual costs billed to Brantford Power Inc. by the IESO.

The retailer cost variance accounts represent differences between charges billed to retailers using the prescribed prices as outlined in the OEB's Retail Settlement Code and the actual costs paid by Brantford Power Inc. to operate and maintain the systems related to the retail market.

On April 12, 2006, the OEB approved the establishment of regulatory deferral accounts for smart meter-related expenditures and approved a monthly rate adder charge of \$0.28 per metered customer for the Company. Effective May 1, 2009, the OEB increased the monthly adder to \$1.00 per metered customer. In its 2010 application to the OEB, the Company has applied for a monthly rate adder charge of \$2.07 per metered customer.

Brantford Power Inc.**Notes to the Financial Statements
for the year ended December 31, 2009****9. Regulatory Assets and Liabilities - continued**

The Company has recorded a regulatory asset consisting of the net balance of capital and operating expenditures for smart meters, less recoveries received from the rate adder. These expenditures and recoveries will continue to be reported as regulatory assets or liabilities until the Company applies to the OEB to redistribute the amounts to capital or operations.

The Company has recorded a regulatory liability account that relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of future tax assets.

10. Long-Term Debt

	<u>2009</u>	<u>2008</u>
	\$	\$
Note payable, bearing interest at 6.25%, repayable to the City, interest only payable annually - due February, 2011	24,189,168	24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2010	5,056,036	5,365,495
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due November, 2011	907,251	1,007,237
Ontario Infrastructure Projects Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments due December, 2032	2,322,570	2,374,040
Ontario Infrastructure Projects Corporation construction advances with interest at 0.95%	3,842,948	-
	36,317,973	32,935,940
Less current portion	499,546	474,847
	35,818,427	32,461,093

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$ 100 per common share. Interest payable to the City of \$1,511,823 (2008 - \$1,511,823) was outstanding as at December 31, 2009.

The Company entered into a swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 5,900,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.71% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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10. Long-Term Debt - continued

The Company entered into a second swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 1,200,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.97% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

These credit facilities are secured by general security agreement over all assets of the Company and an assignment of related fire insurance.

Estimated principal repayment requirements are as follows:

	\$
2010	499,546
2011	29,771,554
2012	360,374
2013	363,517
2014	366,823

11. Employee Future Benefits

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro-Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The Company is also obligated to provide post retirement benefits to an active employee.

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2009 and the expense for the period ended December 31, 2009 are based on an actuarial valuation done as at January 1, 2008.

The obligation is unfunded since no assets have been segregated and restricted to provide the post-retirement benefits.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

11. Employee Future Benefits - continued

Significant Assumptions

The key weighted-average assumptions used by the Company for the measurement of the benefit obligation and benefit expense are summarized as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
To determine benefit obligation at end of year		
Discount rate	5.0%	6.0%
Assumed long-term rate of return on assets	N/A	N/A
To determine benefit expense (income) for the year		
Discount rate	6.0%	5.5%
Assumed long-term rate of return on assets	N/A	N/A
Rate of increase in future compensation	N/A	N/A
Health care cost trend rates at end of year		
Initial rate	8.15%	9.0%
Ultimate rate	4.75%	4.75%
Year ultimate rate reached	2013	2013

Sensitivity Analysis

	<u>Change in</u>	<u>Change in</u>
	<u>Obligation</u>	<u>Expense</u>
	\$	\$
Impact of 1% increase in assumed health care trend rate	98,000	10,000
Impact of 1% decrease in assumed health care trend rate	(86,000)	(9,000)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

11. Employee Future Benefits - continued

	<u>2009</u>	<u>2008</u>
	\$	\$
Change in benefit obligation		
Benefit obligation at beginning of year	1,528,597	926,533
Interest cost on benefit obligation	90,974	83,451
Benefits paid	(24,739)	(32,600)
Actuarial loss	118,615	551,213
Benefit obligation at end of year	1,713,447	1,528,597
Change in fair value of assets		
Fair value of assets at beginning of year	-	-
Employer contributions	24,739	32,600
Benefits paid	(24,739)	(32,600)
Fair value of assets at end of year	-	-
Reconciliation of funded status to accrued benefit liability		
Deficit of fair value of assets over benefit obligation at end of year	1,713,447	1,528,597
Unamortized actuarial loss	(939,082)	(871,821)
Accrued benefit liability at end of year	774,365	656,776
Reconciliation of accrued benefit liability		
Accrued benefit liability at beginning of year	656,776	550,616
Benefit expense recognized	142,328	138,760
Benefits paid	(24,739)	(32,600)
Accrued benefit liability at end of year	774,365	656,776
Annual benefit expense		
Interest cost on benefit obligation	90,974	83,451
Actuarial gain or loss	51,354	55,309
Benefit expense recognized	142,328	138,760
Cash payments		
Benefit premiums paid	85,533	105,450

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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12. Contingencies and Commitments

General Liability Insurance

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2011. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2009, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a three year underwriting period which expires on January 1, 2013.

Class Action

This action has been brought under *Class Proceedings Act, 1992*. The plaintiff class seeks \$500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities (LDC's) who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the *Criminal Code*. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge and that settlement was approved by the Ontario Superior Court.

In 2007, Enbridge filed an application to the Ontario Energy Board (OEB) to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008 the OEB approved recovery of the said amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDC's. The parties are in settlement discussions but no settlement has been reached.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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12. Contingencies and Commitments - continued

At this time, it is not possible to quantify the effect, if any, on the financial statements of the Company. Therefore, no provision has been made in these financial statements with respect to any losses which may arise as a result of this action.

Smart Meter Initiative

The Province of Ontario has committed to have "Smart Meter" electricity meters installed in 800,000 homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals.

The Company has installed approximately 6,667 Smart Meters as of the end of 2009 and anticipates having installed a total of 37,240 Smart Meters upon completion of its mass deployment.

13. Share Capital

Authorized

Unlimited number of common shares

	<u>2009</u>	<u>2008</u>
	\$	\$
Issued		
1,001 common shares	<u>22,437,505</u>	<u>22,437,505</u>

14. Accumulated Other Comprehensive Loss

	<u>2009</u>	<u>2008</u>
	\$	\$
Balance at beginning of year	(696,074)	(63,879)
Other comprehensive income (loss), net of tax	353,596	(632,195)
Balance at end of year, net of tax	(342,478)	(696,074)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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15. Pension Plan

The Company participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan, on behalf of its employee. The plan is a contributory defined benefit pension plan. Contributions are 6.3% for employee earnings below the year's maximum pensionable earnings and 9.5% thereafter. The contribution rates are expected to change to 6.4% for employee earnings below the year's maximum pensionable earnings and 9.7% thereafter for 2010. During 2009, the Company expensed contributions totaling \$13,304 (2008 - \$13,106) made to OMERS in respect of the employer's required contributions to the plan.

16. Electricity Distribution Service Charges

The company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company may file to recover uncollected debt retirement charges from OEFC once each year. Otherwise, the Company is unable to recover uncollected amounts formerly remitted to these third parties. The Company retains only its electricity distribution service charge that is regulated by the OEB.

Electricity distribution service charges comprise:

	<u>2009</u>	<u>2008</u>
	\$	\$
Gross customer billings	94,755,101	96,055,230
Less pass through charges billed by the Company		
Electricity charges paid through to generators	(57,566,593)	(57,509,074)
Transmission and miscellaneous charges	(9,884,731)	(10,304,664)
Market service charges	(6,087,707)	(6,335,103)
Debt retirement charges	(6,409,274)	(6,872,855)
<u>Total electricity distribution service charges</u>	<u>14,806,796</u>	<u>15,033,534</u>

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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17. Statement of Cash Flows

	<u>2009</u>	<u>2008</u>
	\$	\$
Changes in non-cash working capital		
Accounts receivable	(945,169)	704,215
Unbilled revenue	(1,263,432)	81,783
Inventories	47,775	(53,375)
Prepaid expenses	(16,749)	(43,521)
Accounts payable and accrued liabilities	535,103	(177,864)
Accounts payable to the City of Brantford	264,535	(106,282)
Interest payable to the City of Brantford	-	(1,568,320)
Due to Brantford Energy Corporation	(50,164)	8,412
Payments in lieu of corporate income taxes	106,689	(1,336,714)
	<u>(1,321,412)</u>	<u>(2,491,666)</u>

18. Amortization

	<u>2009</u>	<u>2008</u>
	\$	\$
Amortization of capital assets	3,166,455	3,029,972
Amortization of capital assets charged to distribution operations and maintenance	275,557	246,533
	<u>3,442,012</u>	<u>3,276,505</u>

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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19. Capital Disclosures

The Company's main objectives when managing capital are to:

- ⇒ ensure ongoing access to funding to maintain and improve the electricity distribution system;
- ⇒ ensure compliance with covenants related to its credit facilities; and
- ⇒ align its capital structure with the debt to equity structure deemed by the OEB.

As at December 31, 2009, the Company's definition of capital includes shareholder's equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2009, shareholder's equity amounts to \$32,833,343 (2008 - \$32,047,217) and long-term debt, amounts to \$36,317,973 (2008 - \$32,935,940). The Company's capital structure as at December 31, 2009 is 53% debt and 47% equity (2008 - 51% debt and 49% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2009 and as at December 31, 2008, the Company was in compliance with all covenants.

20. Financial Instruments

Interest Rate Risk

Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

Two term facility loans bear interest at floating rates and thus, the carrying values approximate fair values. However, the Company has entered into two interest rate swap transactions, derivative instruments designated as a cash flow hedges, the effect of which is to fix the interest rate on the first \$5,061,000 term facility loan at 4.71% and the second \$909,000 term facility loan at 4.97%. The potential replacement cost to Brantford Power Inc. of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was \$492,360 (2008 - \$996,127), which was in the favour of Royal Bank. Net unrealized gain in fair value of \$523,506 (2008 - loss of \$890,425) is presented in current year Other Comprehensive (Loss) Income. The Company entered into these interest rate swap transactions to fix the interest rates over the long term and intends to hold these to maturity at which time there should be no replacement cost.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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20. Financial Instruments - continued

Credit Risk

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. The Company is currently holding customer deposits on hand in the amount of \$2,578,825 (2008 - \$2,421,696) which is reflected on the Balance Sheet. Allowances of \$569,000 (2008 - \$480,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2009, the outstanding amounts receivable from the largest ten customers represented \$1,599,241 or 22% of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

Liquidity Risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cashflows generated from operations to meet its requirements.

Prudential Support

Brantford Power Inc. is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2009, the Company provided prudential support in the form of a bank letter of credit of \$9,375,721 (2008 - \$9,375,721).

Revolving Term Facility

As at December 31, 2009, the Company has been authorized for a revolving term facility of \$7,000,000 of which NIL had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

Fair Value of Other Financial Instruments

a) Establishing fair value

The carrying values of cash and cash equivalents, accounts receivable, special deposits, accounts payable and accrued liabilities, accounts payable to the City of Brantford, interest payable to the City of Brantford, and due to Brantford Energy Corporation approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

20. Financial Instruments - continued

Fair values for other financial instruments, detailed below, have been estimated with reference to quoted market prices for actual or similar instruments where available, except for certain related party transactions.

Customer deposits fair value equals carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the Ontario Energy Board.

The fixed rate long-term debt facility funded by Ontario Infrastructure Projects Corporation (OIPC) has an estimated fair value of \$2,310,200 (carrying value - \$2,322,570). The fair value was determined using the present value of the cash flows using the quoted OIPC market rate for the debt at December 31, 2009, of 5.18% per annum, (actual rate - 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The promissory note payable to the Corporation of the City of Brantford, classified as an OL, is valued at face value. It is not practicable within constraints of timeliness or cost to measure reliably the fair value of this financial liability that originated in a related party transaction.

The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

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20. Financial Instruments - continued

The following table presents the financial instruments recorded at fair value in the Balance Sheet, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total financial assets and liabilities at fair value
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	7,113,473	-	-	7,113,473
Accounts receivable	7,153,783	-	-	7,153,783
Unbilled revenue	9,612,975	-	-	9,612,975
Special deposits	2,578,825	-	-	2,578,825
Total financial assets	26,459,056	-	-	26,459,056
Financial liabilities				
Accounts payable and accrued liabilities	9,948,753	-	-	9,948,753
Accounts payable to the City of Brantford	1,654,882	-	-	1,654,882
Interest payable to the City of Brantford	1,511,823	-	-	1,511,823
Customer deposits	2,578,825	-	-	2,578,825
Long-term debt	36,305,603	-	-	36,305,603
Total financial liabilities	51,999,886	-	-	51,999,886

During the year, there has been no transfer of amounts between Level 1 and Level 2 and no financial assets or liabilities have been identified as Level 3.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2009

21. Payments in Lieu of Corporate Income Taxes

The Company's income tax expense for the year ended December 31, 2009 consists of the following:

Temporary differences which give rise to future income tax assets and liabilities are as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Regulatory assets	2,868,201	2,249,490
Cumulative eligible capital	185,860	229,600
Allowance for doubtful accounts	176,390	158,400
Property, plant and equipment	414,362	120,130
Employee future benefits	195,170	174,800
Unrealized losses on derivative liabilities	113,020	282,930
Future income tax assets (liabilities)	3,953,003	3,215,350

Distributed as such:

Future payments in lieu of corporate income tax asset		
Current	176,390	158,400
Non-current	3,776,613	3,056,950
	3,953,003	3,215,350

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of statutory rates is as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Income tax expense at the combined basis federal and provincial statutory tax rate	1,050,977	1,149,935
Net change in regulatory assets	900,455	1,679,319
Capital cost allowance in excess of amortization	(121,333)	(80,317)
Net change in tax reserves	91,885	(1,351)
Tax effect of gain on sale of fixed assets	7,580	(1,524)
Tax effect of expenses that are not deductible for income tax purposes	858	8,551
	1,930,422	2,754,613

22. Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

Financial Statements of
Brantford Power Inc.
December 31, 2010

Brantford Power Inc.
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December 31, 2010

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Brantford Power Inc.
Management Report
December 31, 2010

The accompanying financial statements are the responsibility of management of Brantford Power Inc. In management's opinion, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by Deloitte & Touche LLP, the external auditors of the Company. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with Canadian generally accepted accounting principles.

The board of directors, through the finance committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The finance committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The finance committee also reviews the financial statements and annual report and recommends their approval to the board of directors. Deloitte & Touche LLP has full and free access to the finance committee, with and without the presence of management.

George Mychailenko
Chief Executive Officer
April 18, 2011

Brian D'Amboise, CA
Chief Financial Officer
April 18, 2011



Deloitte & Touche LLP
1005 Skyview Drive
Suite 201
Burlington ON L7P 5B1
Canada

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Independent Auditor's Report

To the Board of Directors of
Brantford Power Inc.

We have audited the accompanying financial statements of Brantford Power Inc., which comprise the balance sheet as at December 31, 2010, and the statements of operations, retained earnings, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brantford Power Inc. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 18, 2011

Brantford Power Inc.

Balance Sheet

as at December 31, 2010

Assets	<u>2010</u>	<u>2009</u>
	\$	\$
Current Assets		
Cash and cash equivalents	11,180,750	7,113,473
Accounts receivable	8,483,553	7,153,783
Unbilled revenue	8,995,538	9,612,975
Inventories	819,450	868,303
Special deposits	1,056,193	609,227
Prepaid expenses	147,137	140,368
Payments in lieu of corporate income taxes	584,850	851,475
Future payments in lieu of corporate income taxes - note 20	171,760	176,390
	31,439,231	26,525,994
Property, plant and equipment - note 5	58,307,002	59,828,069
Other Assets		
Regulatory assets - note 8	5,046,561	3,599,807
Long-term special deposits	1,452,327	1,969,598
Long-term prepaid expenses	112,793	130,754
Future payments in lieu of corporate income taxes - note 20	3,224,769	3,776,613
Intangible assets - note 6	4,547,613	1,054,952
	14,384,063	10,531,724
	104,130,296	96,885,787

See accompanying notes

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Brantford Power Inc.
Balance Sheet
as at December 31, 2010

Liabilities and Shareholder's Equity	<u>2010</u>	<u>2009</u>
	\$	\$
Current Liabilities		
Accounts payable and accrued liabilities	10,822,994	9,948,753
Accounts payable to the City of Brantford - note 7	1,697,640	1,654,882
Interest payable to the City of Brantford - note 9	1,511,823	1,511,823
Due to Brantford Energy Corporation - note 7	47,533	26,880
Current portion of customer deposits	1,056,193	609,227
Current portion of long-term debt - note 9	1,250,304	499,546
	<u>16,386,487</u>	<u>14,251,111</u>
Long-term debt - note 9	<u>40,280,376</u>	<u>35,818,427</u>
Other Liabilities		
Regulatory liabilities - note 8	11,009,791	11,089,061
Long-term customer deposits	1,452,327	1,969,598
Employee future benefits - note 10	893,739	774,365
Derivative liabilities - note 19	525,435	492,360
	<u>13,881,292</u>	<u>14,325,384</u>
Contingencies and Commitments - note 11		
Shareholder's Equity		
Share capital - note 12	22,437,505	22,437,505
Retained Earnings	11,519,294	10,395,838
Accumulated Other Comprehensive Loss - note 13	(374,658)	(342,478)
	<u>33,582,141</u>	<u>32,490,865</u>
	<u>104,130,296</u>	<u>96,885,787</u>

Signed on behalf of the Board:

Director

Director

See accompanying notes

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Brantford Power Inc.
Statement of Retained Earnings
for the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Retained Earnings, Beginning of Year	10,395,838	9,609,712
Change in accounting policy for the recognition of future income tax regulatory liabilities	-	(682,930)
	<u>10,395,838</u>	<u>8,926,782</u>
Net Income	1,873,456	2,219,056
Dividends	<u>(750,000)</u>	<u>(750,000)</u>
Retained Earnings, End of Year	<u>11,519,294</u>	<u>10,395,838</u>

See accompanying notes

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Brantford Power Inc.
Statement of Operations
for the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Revenue		
Electricity distribution service charges - note 15	15,293,962	14,806,796
Ontario Power Authority conservation programs	1,130,495	2,128,577
Specific service charges	635,867	575,804
Interest income	129,666	128,823
Other income	285,497	333,732
	<u>17,475,487</u>	<u>17,973,732</u>
Expenses		
Distribution operations and maintenance	3,338,647	3,415,860
Billing and collecting	2,023,191	2,011,243
General administration	2,187,128	2,261,022
Ontario Power Authority conservation programs	926,976	1,785,379
Interest on long-term debt	2,030,478	1,976,824
Other financing expenses	89,606	98,782
Capital tax	24,236	151,200
Amortization - note 17	3,374,841	3,166,455
	<u>13,995,103</u>	<u>14,866,765</u>
Income before payments in lieu of corporate income taxes	<u>3,480,384</u>	<u>3,106,967</u>
Payments in lieu of corporate income taxes		
Current	1,120,928	1,930,422
Future	486,000	(1,042,511)
	<u>1,606,928</u>	<u>887,911</u>
Net income	<u>1,873,456</u>	<u>2,219,056</u>

See accompanying notes

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Brantford Power Inc.
Statement of Comprehensive Income
for the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Net Income	1,873,456	2,219,056
Other comprehensive income (loss)		
Unrealized (losses) gains on derivative instruments designated as cash flow hedges - Note 19	(42,910)	523,506
Future recoveries (payments) in lieu of corporate income taxes	10,730	(169,910)
	<u>(32,180)</u>	<u>353,596</u>
Comprehensive Income	1,841,276	2,572,652

See accompanying notes

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Brantford Power Inc.
Statement of Cash Flows
for the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Operating activities		
Net income	1,873,456	2,219,056
Items not affecting cash		
Amortization - note 17	3,641,081	3,442,012
Future payments in lieu of corporate income taxes	486,000	(1,042,511)
(Gain) loss on disposal of property, plant and equipment	(51,067)	22,969
Other items not affecting cash	220,957	(374,248)
	6,170,427	4,267,278
Changes in non-cash working capital components - note 16	534,028	(1,321,412)
	<u>6,704,455</u>	<u>2,945,866</u>
Investing activities		
Acquisition of property, plant and equipment	(5,847,684)	(5,760,418)
Increase in regulatory assets	(1,446,754)	(2,536,849)
(Decrease) increase in regulatory liabilities	(79,270)	2,549,654
Decrease (increase) in special deposits	70,305	(157,129)
Proceeds from disposal of property, plant and equipment	89,488	104,333
	<u>(7,213,915)</u>	<u>(5,800,409)</u>
Financing activities		
Proceeds of issuance of long-term debt	5,700,000	3,851,000
Capital contributions received	196,588	745,256
Repayment of long-term debt	(499,546)	(474,847)
(Decrease) increase in customer deposits	(70,305)	157,129
Dividends paid	(750,000)	(750,000)
	<u>4,576,737</u>	<u>3,528,538</u>
Increase in cash and cash equivalents	4,067,277	673,995
Cash and cash equivalents, beginning of year	7,113,473	6,439,478
Cash and cash equivalents, end of year	11,180,750	7,113,473
Supplemental Disclosure of Cash Flows		
Interest received	73,961	115,934
Interest paid	2,020,425	1,941,552
Payment for income taxes	1,632,950	3,176,710

See accompanying notes

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Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

1. Incorporation

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. Another affiliated company, Brantford Generation Inc., was incorporated in 2007. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation. The Company provides electricity distribution services to residents of the City of Brantford. The operations of the company are regulated by the Ontario Energy Board (OEB).

2. Accounting Policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the OEB under the authority of the Ontario Energy Board Act, 1998. Significant accounting policies are summarized below:

Regulation

The Company is regulated by the OEB and requires OEB approval for any distribution service rate adjustments. The following accounting policies applicable to rate regulated operations differ from GAAP for companies operating in an unregulated environment:

Regulatory assets and liabilities

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power incurred by the utility.

Regulatory assets and liabilities will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in the results of operations in the period that the assessment is made. Asset and liability balances and current year activities are detailed in Note 8.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

2. Accounting Policies - continued

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions towards the cost of constructing company assets. Capital contributions for the year of \$196,588 (2009 - \$745,256) have been recorded as an offset to capital assets. Amortization of contributed capital is recorded at an equivalent rate to that used for amortization of the related assets.

Allowance for use of funds during construction

The company capitalizes an allowance for use of funds during construction representing the cost of funds during the construction period. The rate used is prescribed by the OEB and updated on a quarterly basis. The total allowance for use of funds during construction capitalized for the year amounted to \$63,402 (2009 - \$62,360).

Payment in lieu of income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate taxes (PILS) to the Ontario Electricity Financial Corporation (OEFC), for the period beginning on October 1, 2001. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) and modified by the *Electricity Act, 1998*, and related regulations.

The Company uses the asset and liability method of accounting for payments in lieu of corporate income taxes. Accordingly, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax rates. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. In addition, the effect of future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment or substantive enactment date.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

2. Accounting Policies - continued

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 revenues and expenses for the year. During the years presented, management has made a number of estimates and valuation assumptions including allowance for doubtful accounts receivable, unbilled revenue, useful lives, certain accruals, valuation of financial instruments including derivatives and future income tax liabilities. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

Inventories

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or net realizable value determined using a weighted average method.

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter reading during the year to the balance sheet date.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

2. Accounting Policies - continued

Property, plant and equipment

Property, plant and equipment 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 calculated on a straight-line basis over the estimated useful service life as follows.

Buildings	50 years
Transformer station	40 years
Distribution stations	30 years
Distribution lines - overhead	25 years
Distribution lines - underground	25 years
Distribution transformers	25 years
Distribution meters	25 years
Load control units	10 years
Vehicles	5-8 years
Tools and other equipment	5-10 years
Capital contribution	25 years

Other electric plant and work in progress are amortized when put in service.

Intangible assets

Intangible assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis. Stranded meters represents distribution meters that have been replaced with smart meters and reallocated from property, plant and equipment. The OEB has allowed these retired meters to remain in rate base for rate making purposes. Amortization is calculated on a straight-line basis over the estimated useful service life as follows.

Stranded meters	25 years
Software	5 years

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

2. Accounting Policies - continued

Long-term prepaid expenses and special deposits

Long-term prepaid expenses consist of service fees paid providing the Company with the right to use non-owned specified tangible assets for future periods. These charges are amortized on a straight-line basis over 10 years representing the expected benefit period.

Amounts are recorded as special deposits when cash is collected related to customer deposits and are expected to be held for a period exceeding one year.

Revenue recognition

Distribution revenue is recorded as revenue in the period to which it relates. Distribution revenue includes an estimated accrual for the variable component of the distribution rate based on the electricity delivered but not yet billed to customers from the last meter reading date to the year end.

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

Impairment of long-lived assets

The Company reviews the valuation long-term assets when events or changes in circumstances indicate that the assets' carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. There was no impact on the financial statements as a result of asset impairments for the years ended December 31, 2010 and 2009.

Customer deposits

Customer deposits are cash collections from customers and retailers to guarantee the payment of electricity bills as prescribed by the OEB's Retail Settlement Code. Deposits expected to be refunded to customers within the next fiscal period are classified as a current liability.

Employee future benefits

The Company provides post-retirement medical and life insurance benefits to eligible employees. The cost of post-retirement medical and life insurance benefits is expensed using the projected benefit cost method prorated on services.

The Company has adopted the corridor method of accounting for the actuarially determined gains and losses. Cumulative gains and losses in excess of 10% of the beginning accrued benefit obligation are amortized into expense on a straight-line basis over the expected remaining lifetime of the inactive members receiving benefits under the plan (15 years)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

2. Accounting Policies - continued

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. Any adjustment to the liability of its fair value as a result of the passage of time is charged to earnings.

Comprehensive Income

CICA Handbook Section 1530 requires the presentation of comprehensive income and its components in a financial statement. Comprehensive income is composed of the Company's net income and other comprehensive income (OCI), which includes unrealized gains and losses on changes in the fair value of the effective portion of cash flow hedging instruments. The Company discloses comprehensive income in the financial statement "Statement of Comprehensive Income". The cumulative changes in OCI are included in Accumulated other comprehensive income net of tax (AOCI), which is presented as a category of Shareholder's equity on the Company's Balance Sheet.

Financial Instruments

The Corporation designates its financial instruments in one of the following five categories: (i) held for trading (HFT); (ii) available for sale (AFS); (iii) held to maturity (HTM); (iv) loans and receivables (LR); or (v) other liabilities (OL). All financial instruments are initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value, with any change in fair value recognized in earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has elected to add transaction costs related to financial instruments classified as other than HFT to the carrying amount of the financial instrument.

The Company has elected to use settlement-date accounting for regular-way purchases and sales of financial assets.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

3. Future Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP effective January 1, 2011. Subsequently, in September 2010, the AcSB issued an optional one year deferral in adoption of IFRS for rate-regulated entities. The Company qualifies for this deferral and has elected to defer adoption until January 1, 2012. The adoption date of January 1, 2012 will require the restatement, for comparative purposes, of amounts reported by the Company of its year ended December 31, 2011, and of the opening balance sheet as at January 1, 2011.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS on its financial statements. The Company does anticipate significant changes to those accounting policies which are unique to rate regulated entities under Canadian GAAP. In particular, the adoption of IFRS is expected to result in significant changes to the accounting of regulatory assets and liabilities and to the capitalization and other accounting policies applicable to self constructed property, plant and equipment. The Company also anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. At this time, the impact on the Company's future financial position and results of operations is not reasonably determinable or estimable.

4. Rate Setting

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

The Company purchases electricity from the Independent Electricity System Operator (the IESO) at spot market or prescribed rates and charges its customers unbundled rates. The unbundled rates include the actual cost or prescribed cost of the electricity, transmission, wholesale market service charges and an approved rate for electricity distribution. The cost of electricity transmission and connection charges and debt retirement charges are collected by Brantford Power Inc. and remitted to the IESO and the Ontario Electricity Financial Corporation (the OEFC) respectively. The Company retains the distribution charges reflected on the customer billings. The distribution charges also incorporates, where applicable, OEB approved rate adders or riders that are necessary to dispose of regulatory assets and liabilities.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

4. Rate Setting - continued

The OEB has the general power to include or exclude costs, revenues, losses or gains in the distribution rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from customers in the future and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts of expenses incurred in different periods than would be the case had the company been unregulated.

Specific regulatory assets and liabilities are disclosed in note 8.

In the absence of rate regulation, distribution revenue would have been lower by \$1,707,866 (2009 - higher by \$71,177), cost of power would have been lower by \$3,753,601 (2009 - \$1,205,749), other income would have been lower by \$16,144 (2009 - \$32,301), distribution operations and maintenance would have been lower by \$46,971 (2009 higher by - \$29,756), general administration would have been higher by \$68,032 (2009 - \$73,097), amortization would have been higher by \$373,781 (2009 - \$NIL), and interest income would have been higher by \$43,600 (2009 - \$73,940). The net effect, in the absence of rate regulation, is a pre-tax increase in net income for 2010 of \$1,678,349 (2009 - \$1,215,712).

The Company administers several programs through the Ontario Power Authority (OPA) conservation project. The revenues and expenses related to these programs are not subject to the regulation of the OEB.

On October 21, 2009 the Company filed an application for 2010 rates on the basis of the OEB's third generation Incentive Regulation Mechanism (IRM) policy which incorporates an OEB-approved formula that considers inflation and efficiency targets. On April 12, 2010, the OEB released its decision. This decision included the repayment of \$7,650,132 in regulatory liabilities over a two year period. The revised rates were approved with an effective date of May 1, 2010.

On October 29, 2010 the Company filed an application for 2011 rates also on the basis of the OEB's third generation IRM policy. This application has proposed the repayment of \$1,192,282 in regulatory liabilities. These rates would be effective May 1, 2011. On March 28, 2011, the OEB release its decision approving the application.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

5. Property, Plant and Equipment

	2010			2009
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land	181,961	-	181,961	181,961
Buildings	1,163,732	147,984	1,015,748	1,039,022
Transformer station	4,469,541	668,124	3,801,417	3,913,156
Distribution stations	74,427	25,063	49,364	51,845
Distribution lines - overhead	27,131,163	8,506,906	18,624,257	18,337,005
Distribution lines - underground	29,972,562	7,747,169	22,225,393	21,193,352
Distribution transformers	16,819,586	4,988,877	11,830,709	11,859,809
Distribution meters	2,528,139	543,299	1,984,840	4,753,694
Load control units	547,972	547,972	-	45,667
Vehicles	2,723,344	1,870,692	852,652	870,060
Tools and other equipment	847,106	207,065	640,041	478,901
Capital contributions	(3,586,013)	(530,710)	(3,055,303)	(3,002,144)
Other utility plant	51,816	-	51,816	37,327
Work in progress	104,107	-	104,107	68,414
	83,029,443	24,722,441	58,307,002	59,828,069

6. Intangible Assets

	2010			2009
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land rights and easements	5,968	-	5,968	5,968
Stranded meters	6,331,836	1,874,463	4,457,373	925,465
Software	196,386	112,114	84,272	123,519
	6,534,190	1,986,577	4,547,613	1,054,952

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

7. Related Party Transactions

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford (the City). Brantford Energy Corporation also owns Brantford Hydro Inc. and Brantford Generation Inc.

The Company obtains certain administrative and management services from the City, Brantford Energy Corporation. The Company also provides services to the City, Brantford Generation Inc. and Brantford Hydro Inc. These services were made in the normal course of business and have been recorded at the exchange amounts.

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, customer care, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement. Total charges from the City under this shared agreement were \$8,696,419 (2009 - \$8,678,167). As at December 31, 2010 the balance owing to the City for these services was \$1,697,640 (2009 - \$1,654,882).

For the year ended December 31, 2010, the Company provided electricity to the City in the amount of \$5,113,692 (2009 - \$4,796,370). The Company also provided other services to the City in the amount of \$273,143 (2009 - \$258,548).

For the year ended December 31, 2010, the Company paid property tax to the City in the amount of \$18,887 (2009 - \$22,352)

The Company obtains management services from Brantford Energy Corporation. Total charges for these services were \$124,125 (2009 - \$118,960). As at December 31, 2010 the balance owing to Brantford Energy Corporation for these services was \$47,533 (2009 - \$26,880).

The Company charges pole rental fees to Brantford Hydro Inc. These rental fees allow fibre optic cables to be attached to the Company's distribution assets. Total rental fees for this access were \$41,102 (2009 - \$40,856).

The Company provided services to Brantford Generation Inc. related to its facilities interconnection to Hydro One Networks Inc.'s transformer station. During 2009, the Company paid the estimated costs for such services of \$461,876. As the actual costs of such services were below the cost estimate, the Company received a refund of \$159,475 during 2010.

For the year ended December 31, 2010, the Company provided electricity to Brantford Generation Inc. in the amount of \$48,091 (2009 - \$Nil). A long term customer deposit of \$7,665 has been paid to the Company from Brantford Generation Inc.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

8. Regulatory Assets and Liabilities

Based on existing regulatory orders or the expectation of future regulatory orders, the Company has recorded the following amounts, net of income tax and amortization where applicable, which are expected to be recovered from or refunded to customers:

	<u>2010</u> \$	<u>2009</u> \$
Regulatory assets		
Retail Market Settlement		
Retail settlement variance account - Global Adjustment	527,990	2,064,442
Retailer cost variance accounts	320,955	302,714
Other		
Smart meters	3,520,157	1,158,000
Distribution revenue rate change	388,432	-
Special purpose charge	136,836	-
Other regulatory assets	152,191	74,651
Net regulatory assets	5,046,561	3,599,807
Regulatory liabilities		
Retail Market Settlement		
Retail settlement variance accounts	5,117,572	9,200,367
Other		
Low voltage variance	-	33,642
Regulatory future income tax liability	466,778	547,982
Regulatory liabilities refundable through approved rate riders	5,425,441	1,307,070
Net regulatory liabilities	11,009,791	11,089,061

The retail settlement variance accounts represent differences between charges billed to customers using the prescribed prices as outlined in the OEB's Retail Settlement Code and the actual costs billed to Brantford Power Inc. by the IESO.

The retailer cost variance accounts represent differences between charges billed to retailers using the prescribed prices as outlined in the OEB's Retail Settlement Code and the actual costs paid by Brantford Power Inc. to operate and maintain the systems related to the retail market.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

8. Regulatory Assets and Liabilities - continued

On April 12, 2006, the OEB approved the establishment of regulatory deferral accounts for smart meter-related expenditures and approved a monthly rate adder charge of \$0.28 per metered customer for the Company. Effective May 1, 2009, the OEB increased the monthly adder to \$1.00 per metered customer. Effective May 1, 2010, the OEB increased the monthly adder to \$2.07 per metered customer. In its 2011 application to the OEB, the Company has applied for a monthly rate adder charge to remain at \$2.07 per metered customer.

The Company has recorded a regulatory asset consisting of the net balance of capital and operating expenditures for smart meters, less recoveries received from the rate adder. These expenditures and recoveries will continue to be reported as regulatory assets or liabilities until the Company applies to the OEB to redistribute the amounts to capital or operations.

The Company has recorded a regulatory liability account that relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of future tax assets.

9. Long-Term Debt

	<u>2010</u> \$	<u>2009</u> \$
Note payable, bearing interest at 6.25%, repayable to the City, interest only payable annually - due February, 2011, subsequently renewed and matures February, 2016	24,189,168	24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2011, subsequently renewed and matures January, 2013	4,715,635	5,056,036
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due November, 2011	798,292	907,251
Ontario Infrastructure Projects Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments due December, 2032	2,268,400	2,322,570
Ontario Infrastructure Projects Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments due December, 2050	4,808,821	-
Ontario Infrastructure Projects Corporation construction advances with interest at 1.54% (2009 - 0.95%)	4,750,364	3,842,948
	<u>41,530,680</u>	<u>36,317,973</u>
Less current portion	1,250,304	499,546
	<u>40,280,376</u>	<u>35,818,427</u>

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

9. Long-Term Debt - continued

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$ 100 per common share. Interest payable to the City of \$1,511,823 (2009 - \$1,511,823) was outstanding as at December 31, 2010. On February 1, 2011, the City extended the maturity date of the promissory note for a five year period with interest only payable annually at 5.87%.

The Company entered into a swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 5,900,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.71% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly. On January 26, 2011, the Company renewed this agreement for a two year period.

The Company entered into a second swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 1,200,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.97% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

These credit facilities are secured by general security agreement over all assets of the Company and an assignment of related fire insurance.

Estimated principal repayment requirements are as follows:

	\$
2011	1,250,304
2012	479,694
2013	4,101,214
2014	112,710
2015	118,489

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

10. Employee Future Benefits

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro-Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The Company is also obligated to provide post retirement benefits to an active employee.

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2010 and the expense for the period ended December 31, 2010 are based on an actuarial valuation done as at January 1, 2008.

The obligation is unfunded since no assets have been segregated and restricted to provide the post-retirement benefits.

Significant Assumptions

The key weighted-average assumptions used by the Company for the measurement of the benefit obligation and benefit expense are summarized as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
To determine benefit obligation at end of year		
Discount rate	4.5%	5.0%
Assumed long-term rate of return on assets	N/A	N/A
To determine benefit expense (income) for the year		
Discount rate	5.0%	6.0%
Assumed long-term rate of return on assets	N/A	N/A
Rate of increase in future compensation	N/A	N/A
Health care cost trend rates at end of year		
Initial rate	7.30%	8.15%
Ultimate rate	4.75%	4.75%
Year ultimate rate reached	2013	2013

Sensitivity Analysis

	<u>Change in</u>	<u>Change in</u>
	<u>Obligation</u>	<u>Expense</u>
	\$	\$
Impact of 1% increase in assumed health care trend rate	108,000	12,000
Impact of 1% decrease in assumed health care trend rate	(95,000)	(10,000)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

10. Employee Future Benefits - continued

	<u>2010</u>	<u>2009</u>
	\$	\$
Change in benefit obligation		
Benefit obligation at beginning of year	1,713,447	1,528,597
Interest cost on benefit obligation	85,054	90,974
Benefits paid	(24,737)	(24,739)
Actuarial loss	36,680	118,615
Benefit obligation at end of year	1,810,444	1,713,447
Change in fair value of assets		
Fair value of assets at beginning of year	-	-
Employer contributions	24,737	24,739
Benefits paid	(24,737)	(24,739)
Fair value of assets at end of year	-	-
Reconciliation of funded status to accrued benefit liability		
Deficit of fair value of assets over benefit obligation at end of year	1,810,444	1,713,447
Unamortized actuarial loss	(916,705)	(939,082)
Accrued benefit liability at end of year	893,739	774,365
Reconciliation of accrued benefit liability		
Accrued benefit liability at beginning of year	774,365	656,776
Benefit expense recognized	144,111	142,328
Benefits paid	(24,737)	(24,739)
Accrued benefit liability at end of year	893,739	774,365
Annual benefit expense		
Interest cost on benefit obligation	85,054	90,974
Actuarial gain or loss	59,057	51,354
Benefit expense recognized	144,111	142,328
Cash payments		
Benefit premiums paid	86,464	85,533

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

11. Contingencies and Commitments

General Liability Insurance

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2012. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2010, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a three year underwriting period which expires on January 1, 2013.

Class Action

This action had been brought under *Class Proceedings Act, 1992*. The plaintiff class sought restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities (LDC's) who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the *Criminal Code*.

On July 22, 2010, the Ontario Superior Court of Justice approved a settlement of the Class Action, the principal terms of which are the following:

- LDC's collectively pay \$17 million in damages;
- Payment is not due until June 30, 2011; and
- Amounts paid, after deduction for class action counsel fee, will be paid to the Winter Warmth Fund or similar charities.

The Company will make a payment of \$126,682 by June 30, 2011.

Smart Meter Initiative

The OEB has mandated that the Company is to bill Time of Use Prices using "Smart Meter" electricity meters and the Provincial Meter Data Management/Repository effective July 2011. The Company has requested an extension of the effective date to December 2011. At this time, the OEB has not issued its decision on this proceeding.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

11. Contingencies and Commitments - continued

The Company has installed approximately 35,255 (2009 - 6,667) Smart Meters as of the end of 2010 and anticipates having installed a total of 37,240 Smart Meters upon completion of its mass deployment.

OEB PILs Proceeding

The OEB is conducting a review of the PILs variances accumulated in regulatory variance accounts for the period from October 1, 2001 to April 30, 2006 for all LDCs. The current proceeding is expected to provide direction regarding the interpretation of the rules issued by the OEB. It is not possible at this time to determine what impacts the outcome of this proceeding will have on the financial position of the Company.

12. Share Capital

Authorized

Unlimited number of common shares

	<u>2010</u>	<u>2009</u>
	\$	\$
Issued		
1,001 common shares	<u>22,437,505</u>	<u>22,437,505</u>

13. Accumulated Other Comprehensive Loss

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance at beginning of year	(342,478)	(696,074)
Other comprehensive (loss) income, net of tax	(32,180)	353,596
Balance at end of year, net of tax	<u>(374,658)</u>	<u>(342,478)</u>

14. Pension Plan

The Company participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan, on behalf of its employee. The plan is a contributory defined benefit pension plan. Contributions are 6.4% for employee earnings below the year's maximum pensionable earnings and 9.7% thereafter. The contribution rates are expected to change to 7.4% for employee earnings below the year's maximum pensionable earnings and 10.7% thereafter for 2010. During 2010, the Company expensed contributions totaling \$11,554 (2009 - \$13,304) made to OMERS in respect of the employer's required contributions to the plan.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

15. Electricity Distribution Service Charges

The company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company may file to recover uncollected debt retirement charges from OEFC once each year. Otherwise, the Company is unable to recover uncollected amounts formerly remitted to these third parties. The Company retains only its electricity distribution service charge that is regulated by the OEB.

Electricity distribution service charges comprise:

	<u>2010</u>	<u>2009</u>
	\$	\$
Gross customer billings	102,691,543	94,755,101
Less pass through charges billed by the Company		
Electricity charges paid through to generators	(62,528,186)	(57,566,593)
Transmission and miscellaneous charges	(12,192,434)	(9,884,731)
Market service charges	(6,234,467)	(6,087,707)
Debt retirement charges	(6,442,494)	(6,409,274)
Total electricity distribution service charges	15,293,962	14,806,796

16. Statement of Cash Flows

	<u>2010</u>	<u>2009</u>
	\$	\$
Changes in non-cash working capital		
Accounts receivable	(1,329,770)	(945,169)
Unbilled revenue	617,437	(1,263,432)
Inventories	48,853	47,775
Prepaid expenses	(6,769)	(16,749)
Accounts payable and accrued liabilities	874,241	535,103
Accounts payable to the City of Brantford	42,758	264,535
Due to Brantford Energy Corporation	20,653	(50,164)
Payments in lieu of corporate income taxes	266,625	106,689
	534,028	(1,321,412)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

17. Amortization

	<u>2010</u>	<u>2009</u>
	\$	\$
Amortization of capital assets	3,374,841	3,166,455
Amortization of capital assets charged to distribution operations and maintenance	<u>266,240</u>	<u>275,557</u>
	<u>3,641,081</u>	<u>3,442,012</u>

18. Capital Disclosures

The Company's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system;
- ensure compliance with covenants related to its credit facilities; and
- align its capital structure with the debt to equity structure deemed by the OEB.

As at December 31, 2010, the Company's definition of capital includes shareholder's equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2010, shareholder's equity amounts to \$33,582,141 (2009 - \$32,490,865) and long-term debt, amounts to \$41,530,680 (2009 - \$36,317,973). The Company's capital structure as at December 31, 2010 is 55% debt and 45% equity (2009 - 53% debt and 47% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2010 and as at December 31, 2009, the Company was in compliance with all covenants.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

19. Financial Instruments

All financial instruments are initially recorded on the balance sheet at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected by the Company for the financial instrument. All financial instruments are classified into one of the five categories: held-for-trading, loans and receivables, other liabilities, held-to-maturity investments or available-for-sale financial assets

Held-for-trading (HFT) financial instruments are financial assets and financial liabilities typically acquired with the objective of resale or short-term buyback. The carrying amount is recorded at fair value determined using market prices. Interest earned and gains and losses incurred are recognized in net income. Cash and cash equivalents and special deposits are designated as financial assets held-for-trading and are measured at fair value with changes being recorded in net income at each period end. Derivative liabilities are designated as financial liabilities held-for-trading and are measured at fair value with changes being recorded in other comprehensive income at each period end.

Loans and receivables (LR) are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are measured at amortized cost. Accounts receivable and unbilled revenue are classified as loans and receivables and are measured at fair value at inception, which due to their short-term nature, approximates amortized cost.

Other liabilities (OL) are promises to repay on specified dates or on demand usually with interest. Accounts payable and accrued liabilities and accounts payable to the City of Brantford, interest payable to the City of Brantford and due to affiliates are classified as other liabilities and are measured at fair value at inception, which due to their short-term nature, approximates amortized cost. Long-term debt and customer deposits are also classified as other liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Held-to-maturity (HTM) financial assets have fixed or determinable payments and maturity, and management's intention and ability are to hold to maturity. These financial assets are measured at amortized cost. The Company does not hold any financial assets under this classification.

Available-for-sale (AFS) instruments are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading financial assets. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in OCI. The Company does not hold any financial assets under this classification.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

19. Financial Instruments - continued

Interest Rate Risk

Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

Two term facility loans bear interest at floating rates and thus, the carrying values approximate fair values. However, the Company has entered into two interest rate swap transactions, derivative instruments designated as a cash flow hedges, the effect of which is to fix the interest rate on the first \$4,724,000 term facility loan at 4.71% and the second \$801,000 term facility loan at 4.97%. The potential replacement cost to Brantford Power Inc. of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was \$525,435 (2009 - \$492,360), which was in the favour of Royal Bank. Net unrealized loss in fair value of \$42,910 (2009 - gain of \$523,506) is presented in current year Other Comprehensive (Loss) Income. The Company entered into these interest rate swap transactions to fix the interest rates over the long term and intends to hold these to maturity at which time there should be no replacement cost.

Credit Risk

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. The Company is currently holding customer deposits on hand in the amount of \$2,508,520 (2009 - \$2,578,825) which is reflected on the Balance Sheet. Allowances of \$608,000 (2009 - \$569,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2010, the outstanding amounts receivable from the largest ten customers represented \$2,426,830 or 29% (2009 - \$1,599,241 or 22%) of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

Liquidity Risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cashflows generated from operations to meet its requirements.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

19. Financial Instruments - continued

Prudential Support

Brantford Power Inc. is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2010, the Company provided prudential support in the form of a bank letter of credit of \$9,375,721 (2009 - \$9,375,721).

Revolving Term Facility

As at December 31, 2010, the Company has been authorized for a revolving term facility of \$7,000,000 of which NIL had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

Fair Value of Other Financial Instruments

a) Establishing fair value

The carrying values of cash and cash equivalents, accounts receivable, special deposits, accounts payable and accrued liabilities, accounts payable to the City of Brantford, interest payable to the City of Brantford, and due to Brantford Energy Corporation approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Fair values for other financial instruments, detailed below, have been estimated with reference to quoted market prices for actual or similar instruments where available, except for certain related party transactions.

Customer deposits fair value equals carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the Ontario Energy Board.

The fixed rate long-term debt facility, maturing December 2032, funded by Ontario Infrastructure Projects Corporation (OIPC) has an estimated fair value of \$2,352,500 (carrying value - \$2,268,400). The fair value was determined using the present value of the cash flows using the quoted OIPC market rate for the debt at December 31, 2010, of 4.72% per annum, (actual rate - 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

19. Financial Instruments - continued

The fixed rate long-term debt facility, maturing December 2050, funded by Ontario Infrastructure Projects Corporation (OIPC) has an estimated fair value of \$4,819,900 (carrying value - \$4,808,821). The fair value was determined using the present value of the cash flows using the quoted OIPC market rate for the debt at December 31, 2010, of 4.92% per annum, (actual rate - 4.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The promissory note payable to the Corporation of the City of Brantford, classified as an OL, is valued at face value. It is not practicable within constraints of timeliness or cost to measure reliably the fair value of this financial liability that originated in a related party transaction.

Construction advances funded by the OIPC, classified as OL, are valued at face value. Upon completion of construction the term of the loan will be 15 years.

The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

19. Financial Instruments - continued

The following table presents the financial instruments recorded at fair value in the Balance Sheet, classified using the fair value hierarchy described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total financial assets and liabilities at fair value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Financial Assets				
Cash and cash equivalents	11,180,750	-	-	11,180,750
Special deposits	2,508,520	-	-	2,508,520
Total financial assets	13,689,270	-	-	13,689,270
Financial liabilities				
Customer deposits	2,508,520	-	-	2,508,520
Total financial liabilities	2,508,520	-	-	2,508,520

During the year, there has been no transfer of amounts between Level 1 and Level 2 and no financial assets or liabilities have been identified as Level 3.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

20. Payments in Lieu of Corporate Income Taxes

The Company's income tax expense for the year ended December 31, 2010 consists of the following:

Temporary differences which give rise to future income tax assets and liabilities are as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Regulatory assets and liabilities	1,658,807	2,868,201
Cumulative eligible capital	170,190	185,860
Allowance for doubtful accounts	171,760	176,390
Property, plant and equipment	1,047,872	414,362
Employee future benefits	224,150	195,170
Unrealized losses on derivative liabilities	123,750	113,020
Future income tax assets (liabilities)	<u>3,396,529</u>	<u>3,953,003</u>

Distributed as such:

Future payments in lieu of corporate income tax asset		
Current	171,760	176,390
Non-current	<u>3,224,769</u>	<u>3,776,613</u>
	<u>3,396,529</u>	<u>3,953,003</u>

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of statutory rates is as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Income tax expense at the combined basis federal and provincial statutory tax rate	1,192,799	984,707
Net change in regulatory assets	33,135	997,117
Capital cost allowance in excess of amortization	(161,533)	(127,950)
Net change in tax reserves	71,604	67,924
Tax effect of (gain) loss on sale of fixed assets	(15,831)	7,580
Tax effect of expenses that are not deductible for income tax purposes	754	1,044
	<u>1,120,928</u>	<u>1,930,422</u>

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2010

20. Payments in Lieu of Corporate Income Taxes - continued

The provision for PILs differs from the amount that would be recorded using the Canadian federal and Ontario statutory income tax rates. Reconciliation between the statutory and effective tax rates is set out below:

	<u>2010</u>	<u>2009</u>
	\$	\$
Income before PILs	3,480,384	3,106,967
Consolidated Statutory Canadian federal and provincial income tax rate	31.0 %	33.0 %
Expected provision for PILs	1,078,919	1,025,299
Temporary differences	108,184	(233,339)
Net change in future tax rates	354,324	279,004
Permanent adjustments and other	65,501	(183,053)
Provision for PILs	1,606,928	887,911
Effective tax rate	46.2 %	28.6 %
Components of provision for PILs		
Current tax provision	1,120,928	1,930,422
Future income tax provision	486,000	(1,042,511)
	1,606,928	887,911

21. Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

ATTACHMENT B

Deloitte.

Year-end communication
Brantford Energy
Corporation



For the year ended December 31, 2010
Presented to the Finance Committee
April 6, 2011



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April 6, 2011

The Chair and Members of the Finance Committee
Brantford Energy Corporation

Dear Members:

Report on audited annual financial statements

We have performed audits of the consolidated financial statements of Brantford Energy Corporation, the non-consolidated financial statements of Brantford Energy Corporation, and of the financial statements of its subsidiaries Brantford Power Inc., Brantford Hydro Inc., and Brantford Generation Inc. ("BEC" or "the Company") for the year ended December 31, 2010, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit reports thereon dated April 21, 2011.

This report summarizes our findings during the audit. Our audit has been conducted in accordance with the audit plan that was presented to the Finance Committee members at the meeting on December 2, 2010.

Subject to clearing certain outstanding matters identified in this report, we expect to be in a position to sign our unqualified audit opinion on the financial statements, following review by the Finance Committee and approval by the Board of Directors.

Use of our report

This report is intended solely for the information and use of the Finance Committee, management and others within BEC and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the officers and employees of BEC with whom we worked to discharge our responsibilities.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours very truly,

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

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Audit scope and findings

We have prepared the following comments to assist you in fulfilling your oversight responsibilities of the financial reporting and disclosure process for which management of BEC is responsible.

This report summarizes the main findings arising from our audit.

Audit findings	
Audit results	Our audits of the financial statements are designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. There were no significant departures from the audit planning and risk assessment described in the audit plan, which we presented on December 2, 2010.
Status of our audit	We expect to be in a position to render our audit opinions dated April 21, 2011 on the financial statements of BEC following approval of the financial statements by the Board of Directors and the completion of the following outstanding procedures: • Receipt of signed management's representations letters • Receipt of legal inquiry letter • Completion of the final Partner and Engagement Quality Control reviews • Review of any subsequent events
Audit risks	In accordance with our audit plan, our procedures focused on the following areas that we identified as significant areas of audit risk in the current year: • Property, plant and equipment • Unbilled revenue/revenue recognition • Regulatory assets • Consolidation process • Financial instruments • Related party transactions • Payments in lieu of taxes (PILs) • Financial statement disclosures There were no significant changes in the risks identified in our audit plan. We have summarized the results of our audit procedures for each of these risk areas on pages 5 and 6 of this report.

Audit findings											
Fraud and illegal acts	Based on the procedures we performed as recommended by CAS 240, <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> , we are not aware of any illegal acts or fraudulent events with respect to BEC during the year.										
Significant events	As part of our audit process, we identify items that we believe are significant in nature and should be brought to your attention. Management has identified the significant events that could have an impact on the financial statements and these items were subjected to our audit procedures. There were no other significant events identified during the audit engagement that are required to be brought to the attention of the finance committee.										
Significant accounting policies	The Company's significant accounting policies are set forth in Note 2 to the December 31, 2010 financial statements. We believe management's selection of accounting policies to be appropriate under Canadian generally accepted accounting principles ("GAAP") and the policies set forth in the accounting procedures manual issued by the Ontario Energy Board. Our views on the significant quantitative and qualitative aspects of these accounting policies are presented on page 7 of this report.										
Management judgment and accounting estimates	Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards. During the year ended December 31, 2010, management advised us that there were no significant changes in accounting estimates or in judgments relating to such estimates. Our views on the significant quantitative and qualitative aspects of the judgments and estimates made by BEC's management are presented on page 7 of this report.										
Audit adjustments and uncorrected misstatements	In accordance with CAS 450, we request that misstatements be corrected. We have aggregated all uncorrected misstatements greater than the respective thresholds: <table border="1"> <tr> <td>Brantford Energy Corporation Consolidated</td><td>\$ 110,400</td></tr> <tr> <td>Brantford Energy Corporation Non-consolidated</td><td>\$ 85,000</td></tr> <tr> <td>Brantford Power Inc.</td><td>\$ 3,500</td></tr> <tr> <td>Brantford Hydro Inc.</td><td>\$ 1,900</td></tr> <tr> <td>Brantford Generation Inc.</td><td>\$ 20,000</td></tr> </table> All proposed uncorrected audit adjustments were reviewed with management and were determined by management to be immaterial, individually and in the aggregate, to the financial statements taken as a whole. These misstatements are detailed in the appendices attached to the management's representation letter in Appendix D.	Brantford Energy Corporation Consolidated	\$ 110,400	Brantford Energy Corporation Non-consolidated	\$ 85,000	Brantford Power Inc.	\$ 3,500	Brantford Hydro Inc.	\$ 1,900	Brantford Generation Inc.	\$ 20,000
Brantford Energy Corporation Consolidated	\$ 110,400										
Brantford Energy Corporation Non-consolidated	\$ 85,000										
Brantford Power Inc.	\$ 3,500										
Brantford Hydro Inc.	\$ 1,900										
Brantford Generation Inc.	\$ 20,000										
Adjusted and unadjusted disclosure deficiencies	There were no disclosure items passed by us during the current engagement and pertaining to the latest period presented, as all disclosure items detected in our audit have been corrected by management.										

Audit findings

Independence	We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. As required under GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Finance Committee for the year ended December 31, 2010 in Appendix B.
Management's Representations letter	A draft version of the management's representations letter to be signed by management is included in Appendix C.
Management recommendations	No significant items arose during the course of our audit that would require a recommendation point.
Conclusion	We intend to issue unmodified audit reports on the financial statements of BEC for the year ended December 31, 2010 once the outstanding items referred to above are satisfactorily completed and the financial statements are approved by the Board of Directors. A draft version of our Auditor's report is included in Appendix A.

Use of the work of experts

As planned, Deloitte and outside experts assisted in the audits to the extent we considered necessary:

Tax experts	Helped assess the adequacy of the tax provision, regulatory tax accounts and other related balance sheet accounts
Actuarial experts	Helped assess the adequacy of the defined benefit obligation

Disagreements with management

In the course of our audits, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.

Consultation with other accountants

Management has informed us that BEC has not consulted with other accountants about auditing or accounting matters.

Related party transactions

Related party transactions are disclosed in the respective financial statements.

We have not identified any related party transactions that are not in the normal course of operations and that involve significant judgments by management concerning measurement or disclosure.

Legal and regulatory compliance

Management is responsible for ensuring that BEC's operations are conducted in accordance with laws and regulations. The responsibility for preventing and detecting non-compliance rests with management.

The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.

Our procedures did not identify any areas of material non-compliance with laws and regulations by BEC.

Post-balance sheet events

Management is responsible for assessing subsequent events up to the date of the release of the financial statements.

At the date of finalizing this report, we are not aware of any significant post-balance sheet events.

Management cooperation

We received complete cooperation from corporate officers, management and staff and had access to all corporate documents and information necessary to carry out our audit.

Significant transactions inconsistent with business

We have not identified any significant transactions inconsistent with the ordinary course of business.

Audit risks

Our audit plan identified certain areas, which we refer to as significant audit risks. There have been no changes to these risks nor have any additional risks been identified since our previous communication. The results of our audit work on these risks are set out below:

Significant risks

Areas of risk	Our audit response	Our conclusion
Property, plant and equipment Ensure the appropriateness of the capitalization of costs related to property, plant and equipment.	We examined the nature of costs capitalized to ensure that they are appropriate and corroborate the status of projects with operational personnel.	The results of our audit procedures were satisfactory.
Property, plant and equipment Ensure the appropriateness of the value of the generating plant.	We reviewed the recoverability of the capital cost of the generating plant.	The results of our audit procedures were satisfactory.
Unbilled revenue/ revenue recognition Ensure appropriate treatment under Canadian GAAP and that estimates and judgments used are reasonable and consistent.	We examined the December 31, 2010 unbilled revenue estimate prepared by management to ensure it was appropriate under GAAP. The accounting treatment for each major billing component was tested for reasonableness.	The results of our audit procedures were satisfactory.
Regulatory assets Ensure management has properly recorded regulatory assets.	We examined the components of the regulatory assets and ensured that the accounting treatment was appropriate under Canadian GAAP and that the balances are recoverable.	The results of our audit procedures were satisfactory.
Consolidation process Intercompany transactions are properly identified and eliminated for reporting purposes. Address risks inherent in manual processes.	We examined on a sample basis the validity, completeness and accuracy of the consolidation entries and significant inter-company transactions. We verified the mechanical accuracy of the consolidation schedules.	The results of our audit procedures were satisfactory.

Areas of risk	Our audit response	Our conclusion
Financial instruments Valuation of the interest rate swaps are recorded in accordance with Canadian GAAP.	We reviewed the mark-to-market adjustments for appropriateness in accordance with Canadian GAAP and confirmed the values with the financial institution.	The results of our audit procedures were satisfactory.
Related party transactions Recorded in accordance with CICA Handbook Section 3840.	We reviewed the Service Level Agreement with the City and assessed management's allocation of expenses.	The results of our audit procedures were satisfactory.
Payments in lieu of taxes (PILs) Recorded in accordance with CICA Handbook Section 3465.	Income tax specialists examined the accounting and disclosures for current, deferred, and capital taxes in accordance with CICA Handbook Section 3465.	The results of our audit procedures were satisfactory.
Financial statement disclosures Financial statements are prepared and presented in accordance with Canadian GAAP. This includes the appropriate adoption of new CICA Handbook Standards.	We have reviewed and evaluated significant accounting policies and practices, determined their qualitative and quantitative impact, and reviewed these with management where necessary. There were no new standards adopted in the current year.	The results of our audit procedures were satisfactory.

Appendix A – Draft version of our consolidated Auditor's Report

Deloitte

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Independent Auditor's Report

To the Board of Directors of
Brantford Energy Corporation

We have audited the accompanying consolidated financial statements of Brantford Energy Corporation, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of retained earnings, operations, comprehensive income and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Member of Deloitte Touche Tohmatsu

Significant accounting policies

Significant accounting policies are those that are most important to the portrayal of BEC's financial condition and the results of operations.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

Changes in accounting policies

During the year ended December 31, 2010, there were no significant changes in previously adopted accounting policies or their application.

Significant accounting policies

In our judgment, the significant accounting practices, selected and applied by management are, in all material respects, acceptable under GAAP and are appropriate to the particular circumstances of BEC.

Management judgment and accounting estimates

In our judgment, the significant accounting estimates made by management are in all material respects, free of possible management bias and of material misstatement. The disclosures in the financial statements around estimation uncertainty are in accordance with GAAP and are appropriate to the particular circumstances of BEC.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brantford Energy Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 21, 2011

Appendix B – Independence letter

Deloitte

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April 6, 2011

The Finance Committee
Brantford Energy Corporation
84 Market St
Brantford ON N3T 5N8

Dear Board of Directors Members and Finance Committee Members:

We have been engaged to audit the consolidated financial statements of Brantford Energy Corporation, the non-consolidated financial statements of Brantford Energy Corporation, and of the financial statements of its subsidiaries Brantford Power Inc., Brantford Hydro Inc., and Brantford Generation Inc. (the "Companies") for the year ended December 31, 2010.

Canadian generally accepted auditing standards (GAAS) require that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Companies, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. We are also required to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 26, 2010, the date of our last letter.

Member of Deloitte Touche Tohmatsu

Brantford Energy Corporation
April 6, 2011
Page 2

We are not aware of any relationships between the Companies and our Firm, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 26, 2010 to April 6, 2011.

GAAS requires that we confirm our independence to those charged with governance in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 6, 2011.

This report is intended solely for the use of the Finance Committee, the board of directors, management, and others within the Companies and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on April 12, 2011.

Yours very truly,

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Appendix C – Draft management's representations letter

April 21, 2011

Deloitte & Touche LLP
1005 Skyview Dr
Burlington ON L7P 5B1

Dear Sirs:

Subject: Consolidated financial statements for the year ended December 31, 2010

This representation letter is provided in connection with the audit by Deloitte & Touche LLP ("Deloitte" or "you") of the consolidated financial statements of Brantford Energy Corporation and its subsidiaries ("BEC" or "the Company") for the year ended December 31, 2010 (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in accordance with Part V Canadian generally accepted accounting principles ("GAAP").

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the Financial Statements would influence the decision of a reasonable person relying on the Financial Statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Company and Deloitte dated November 12, 2010 for the preparation of the Financial Statements in accordance with GAAP. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Company as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with GAAP.
2. In preparing the Financial Statements in accordance with GAAP, management makes judgments and assumptions about the future and uses estimates. The completeness and adequacy of the disclosures related to estimates are in accordance with GAAP. The Company has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

Significant assumptions used in making estimates are reasonable and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. The measurement methods, including the related assumptions and models, used in determining the estimates were appropriate, reasonable and consistently applied in accordance with GAAP and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity.

There are no changes in management's method of determining significant estimates in the current year.

3. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, we believe that:
 - a. The measurement methods, including the related assumptions and models, used in determining fair value were appropriate, reasonable and consistently applied in accordance with GAAP.
 - b. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP.
 - c. No events have occurred subsequent to December 31, 2010 that require adjustment to the fair value measurements and disclosures included in the Financial Statements.
 - d. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Company when relevant to the use of fair value measurements or disclosures.
4. All related party relationships and transactions (including associated amounts receivable and payable) have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of GAAP.
5. We have completed our review of events after December 31, 2010 and up to the date when the Financial Statements were authorized for issue, April 21, 2011. All events subsequent to the date of the Financial Statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the financial statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix D.

7. Management has completed its assessment of the ability of the Company to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, which would require disclosure in the Financial Statements. In assessing whether the going concern assumption is appropriate, management took into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date, their plans for future action and the feasibility of these plans.

8. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with GAAP.

Information provided

9. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the Company that have been communicated by employees, former employees, analysts, regulators, or others, whether written or oral.
14. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations including the Corruption of Foreign Public Officials Act or similar Acts whose effects should be considered when preparing the Financial Statements.

We have disclosed to you management's current assessment of Brantford Power Inc.'s Affiliate Relationship Code compliance risk related to certain terms of the Service Level Agreement between the City of Brantford and Brantford Power Inc and the fact that the Company is currently performing additional due diligence in this regard in order to establish what organizational changes may be necessary to reduce any existing compliance risk. Based on this assessment, management is unaware of any additional adjustment or disclosures required to the financial statements relating to this risk. Management acknowledges that Deloitte was not engaged to confirm regulatory compliance and as such, the audit opinion attests the fair presentation of the financial statements and is not intended to confirm compliance with regulatory matters.

15. We have disclosed to you all communications from:

- a. taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
- b. regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

16. We have disclosed to you any change in the Company's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions, transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

Independence matters

For purposes of paragraph 18, "Deloitte" shall mean Deloitte & Touche LLP and Deloitte Touche Tohmatsu Limited, its member firms and the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms.

18. Prior to the Company having any substantive employment conversations with a former or current Deloitte engagement team member the Company has held discussions with Deloitte and obtained approval from the Finance Committee.

Selection of accounting policies and recording of transactions

19. The Company's accounting policies and their method of application have been applied on a basis consistent with that of the audited consolidated financial statements as of and for the year ended December 31, 2009.

Compliance with contractual agreements

20. We have disclosed to you, and the Company has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Title to assets

21. The Company has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Liabilities and contingencies

22. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

Loans and receivables

23. The Company is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.

Inventories

24. Provision has been made to reduce inventories to estimated net realizable value when that amount is lower than cost. All reversals of write-down of inventories, arising from an increase in net realizable value, have been recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurred. All inventories are the property of the Company and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.

Investments

25. With regard to the Company's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate any other than temporary impairment of the investment's value.

Environmental liabilities/contingencies

26. We have considered the effect of environmental matters on the Company and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

Employee future benefits

27. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
28. We have no intention of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
29. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Long-lived assets

30. With respect to the Company's long-lived assets, we have recognized and recorded the fair value of all legal obligations associated with the retirement of those related assets.

Revenues

31. We have fully disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions.
32. All documentation related to sales transactions is contained in files which are used for accounting purposes. We also confirm that:
- a. We are not aware of any "side agreements" with any companies that are inconsistent with the applicable sales agreement, the customer's purchase order, sales invoice, or any other documentation contained in the files which are used for accounting purposes. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise, or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of the Company (or any subsidiary, director, employee, or agent of the Company) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of the Company delivered to or generated by the Company's Accounting and Finance Department. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of the Company that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance, or exchange rights would be a side agreement.
 - b. We are not aware of any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the files which are used for accounting purposes.

Various matters

33. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. economic dependence on another party;
 - b. losses arising from sale and purchase commitments;
 - c. agreements to buy back assets previously sold;
 - d. provisions for future removal and site restoration costs;
 - e. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
 - f. sales with recourse provisions;
 - g. sales incentives, including cash consideration provided to customers and vendor rebates;
 - h. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;

- i. all impaired loans receivable;
- j. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Financial instruments, including derivatives

34. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:

- a. the fair value of financial instruments;
- b. the other than temporary impairment of financial assets classified as available-for-sale;
- c. the reversal of any previously recorded other than temporary impairment losses on financial assets classified as available-for-sale; and,
- d. provisions for loans receivable and held-to-maturity assets.

35. The Company has properly classified all financial instruments in accordance with CICA Handbook Part V Section 3855, *Financial Instruments—Recognition and Measurement* ("Section 3855"). Specifically, all financial assets are classified as either "loans and receivables", "held-for-trading", "held-to-maturity" or "available-for-sale". In addition, there have been no reclassifications of instruments into or out of the held-for-trading classification after the adoption of Section 3855 or, if later, after the instrument was first recognized.

36. The Company has properly identified all financial and non-financial contracts that meet the definition of a derivative in Section 3855. The Company has also properly identified all embedded derivatives included in other non-derivative contracts and determined whether these embedded derivatives need to be separately accounted for as described in Section 3855. Where a contract or group of contracts is considered to be held for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements, the Company has documented the basis for reaching this conclusion.

Variable interest entities

37. We have reviewed all financial interests and contractual arrangements to identify variable interests we hold in VIEs as defined in Accounting Guideline 15, *Consolidation of Variable Interest Entities* (revised April 2007) ("AcG-15").

38. We have considered both implicit and explicit variable interests in (a) determining whether a potential VIE should be considered a VIE, (b) calculating the VIE's expected losses and residual returns (based on the best information available and including all reasonably possible outcomes), and (c) determining which party, if any, is the VIE's primary beneficiary.

39. We have identified all information about events and changes in circumstances that could potentially cause a reconsideration about whether an entity is a VIE or whether the Company is the primary beneficiary or has a significant variable interest in a VIE.

Deloitte & Touche LLP
April 21, 2011
Page 8

40. We have provided you with all relevant information in support of our conclusions.

Yours very truly,

Brantford Energy Corporation

Ted Salisbury
Chief Executive Officer

Brian D'Amboise, CA
Chief Financial Officer

Glenda Maldonado, CMA
Senior Financial Analyst - Utilities

Appendix D – Summary of adjustments and uncorrected financial statement misstatements

Audit adjustments

Correcting Entries				
(In 000's)	Asset Dr(Cr)	Liabilities Dr(Cr)	Opening Retained Earnings Dr(Cr)	Income Statement Dr(Cr)
Reclassification of debt - \$683k due in November 2011 that was not classified as current (BEC Consolidated and BPI)	-	-	-	-
Reduce current income tax provision (BPI)	90,000	-	-	(90,000)
Adjust future income taxes (BPI)	(624,243)	437,614	-	186,629
Adjust future income taxes (BGI)	64,300	-	-	(64,300)
Adjust future income taxes (BHI)	5,085	(5,611)	-	526
Impact of misstatements identified during the 2010 audit	(464,858)	432,003	-	32,855
Tax effect on above items	-	-	-	-
Impact of misstatements identified during the 2010 audit, net of tax	(464,858)	432,003	-	32,855

Unadjusted differences

None

Appendix E – Communication requirements

In our audit plan presented, we committed to communicate certain items to the Finance Committee as specified events occur. These items are summarized below.

Required communication	Comments
1. Our responsibilities under GAAS.	Engagement letter dated November 12, 2010
2. Our audit strategy and scope, including approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors.	Audit plan presented on December 2, 2010 was not changed
3. Management judgment and accounting estimates.	Management judgment and accounting estimates on page 7
4. Financial statement adjustments.	Audit adjustments and uncorrected misstatements - Appendix D
5. Uncorrected misstatements.	Audit adjustments and uncorrected misstatements - Appendix D
6. Significant accounting policies.	Significant accounting policies on page 7
7. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	Significant accounting policies on page 7
8. Our views about significant qualitative aspects of BEC's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	Significant accounting policies on page 7 Management judgment and accounting estimates on page 7
9. Disagreements with management.	None
10. Our views about significant matters that were the subject of consultation with other accountants.	None
11. Major issues discussed with management prior to our retention.	None
12. Significant difficulties, if any, encountered during the audit.	None
13. All deficiencies in Internal Control over Financial Reporting ("ICFR") that existed as of the date of management's assessment and were concluded to be material weaknesses or significant deficiencies in ICFR.	None

Required communication	Comments
14. Material written communications between management and us.	Engagement letter dated November 12, 2010
15. All relationships between BEC and us that, in our professional judgment, may reasonably be thought to bear on independence.	Independence letter – Appendix B
16. A statement that, in our judgment, the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	Independence letter - Appendix B
17. Illegal or possibly illegal acts.	None noted
18. Fraud or possible fraud identified through the audit process.	None noted
19. Significant transactions inconsistent with ordinary business, including related party transactions.	None noted
20. Non-compliance with laws and regulations that come to the auditor's attention.	None noted
21. Limitations placed on our scope.	None noted
22. Written representations the auditor is requesting.	Draft management's representations letter – Appendix C
23. A discussion of BEC's annual audited financial statements with the Finance Committee.	To be discussed at our meeting on April 12, 2011

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Financial Statements of

Brantford Power Inc.

December 31, 2011

Brantford Power Inc.

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December 31, 2011

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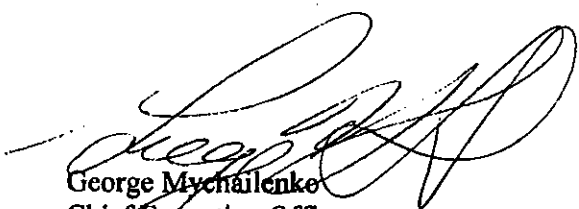
Brantford Power Inc.
Management Report
December 31, 2011

The accompanying financial statements are the responsibility of management of Brantford Power Inc. (the Company). In management's opinion, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by Deloitte & Touche LLP, the external auditors of the Company. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with Canadian generally accepted accounting principles.

The board of directors, through the finance committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The finance committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The finance committee also reviews the financial statements and annual report and recommends their approval to the board of directors. Deloitte & Touche LLP has full and free access to the finance committee, with and without the presence of management.



George Mychailenko
Chief Executive Officer
March 29, 2012



Brian D'Amboise, CA
Chief Financial Officer
March 29, 2012

Independent Auditor's Report

To the Board of Directors of
Brantford Power Inc.

We have audited the accompanying financial statements of Brantford Power Inc. which comprise the balance sheet as at December 31, 2011 and the statements of operations, retained earnings, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brantford Power Inc. as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 29, 2012

Brantford Power Inc.
Balance Sheet
as at December 31, 2011

Assets	<u>2011</u>	<u>2010</u>
	\$	\$
Current Assets		
Cash and cash equivalents	9,200,282	11,180,750
Accounts receivable	7,373,814	8,483,553
Unbilled revenue	8,636,720	8,995,538
Inventories	718,936	819,450
Special deposits	1,155,522	1,056,193
Prepaid expenses	107,758	147,137
Payments in lieu of corporate income taxes	1,262,583	584,850
Future payments in lieu of corporate income taxes - note 21	178,500	171,760
	28,634,115	31,439,231
Property, plant and equipment - note 5	59,873,172	58,307,002
Other Assets		
Regulatory assets - note 8	4,147,328	5,046,561
Long-term special deposits	918,090	1,452,327
Long-term prepaid expenses	107,859	112,793
Future payments in lieu of corporate income taxes - note 21	2,279,696	3,224,769
Intangible assets - note 6	3,479,311	4,547,613
	10,932,284	14,384,063
	99,439,571	104,130,296

Brantford Power Inc.
Balance Sheet
as at December 31, 2011

Liabilities and Shareholder's Equity	2011	2010
	\$	\$
Current Liabilities		
Accounts payable and accrued liabilities	9,357,633	10,822,994
Accounts payable to the City of Brantford - note 7	1,489,970	1,697,640
Interest payable to the City of Brantford - note 9	1,427,564	1,511,823
Due to affiliates - note 7	274,137	47,533
Current portion of customer deposits	1,155,522	1,056,193
Current portion of long-term debt - note 9	598,986	1,250,304
	14,303,812	16,386,487
Long-term debt - note 9	40,919,451	40,280,376
Other Liabilities		
Regulatory liabilities - note 8	7,329,824	11,009,791
Long-term customer deposits	918,090	1,452,327
Employee future benefits - note 10	976,579	893,739
Derivative liabilities - note 20	713,683	525,435
	9,938,176	13,881,292
Contingencies and Commitments - note 11		
Shareholder's Equity		
Share capital - note 13	22,437,505	22,437,505
Retained Earnings	12,358,906	11,519,294
Accumulated Other Comprehensive Loss - note 14	(518,279)	(374,658)
	34,278,132	33,582,141
	99,439,571	104,130,296

Signed on behalf of the Board:

Director

Director

Brantford Power Inc.
Statement of Retained Earnings
for the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
Retained Earnings, Beginning of Year	11,519,294	10,395,838
Net Income	2,289,612	1,873,456
Dividends	(1,450,000)	(750,000)
Retained Earnings, End of Year	12,358,906	11,519,294

Brantford Power Inc.
Statement of Operations
for the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
Revenue		
Electricity distribution service charges - note 16	15,158,434	15,293,962
Ontario Power Authority conservation programs	723,014	1,130,495
Specific service charges	469,500	635,867
Interest income	278,195	129,666
Other income	332,439	285,497
	<u>16,961,582</u>	<u>17,475,487</u>
Expenses		
Distribution operations and maintenance	2,954,060	3,338,647
Billing and collecting	1,921,628	2,023,191
General administration	2,095,391	2,187,128
Ontario Power Authority conservation programs	735,093	926,976
Interest on long-term debt	2,159,034	2,030,478
Other financing expenses	195,748	89,606
Capital tax	(1,318)	24,236
Amortization - note 18	3,842,300	3,374,841
	<u>13,901,936</u>	<u>13,995,103</u>
Income before payments in lieu of corporate income taxes	<u>3,059,646</u>	<u>3,480,384</u>
Payments in lieu of corporate income taxes		
Current - note 21	(258,596)	1,120,928
Future - note 21	1,028,630	486,000
	<u>770,034</u>	<u>1,606,928</u>
Net income	<u>2,289,612</u>	<u>1,873,456</u>

Brantford Power Inc.
Statement of Comprehensive Income
for the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
Net Income	2,289,612	1,873,456
Other comprehensive loss		
Unrealized losses on derivative instruments designated as cash flow hedges - Note 20	(191,491)	(42,910)
Future recoveries in lieu of corporate income taxes	47,870	10,730
	(143,621)	(32,180)
Comprehensive Income	2,145,991	1,841,276

Brantford Power Inc.
Statement of Cash Flows
for the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
Operating activities		
Net income	2,289,612	1,873,456
Items not affecting cash		
Amortization - note 18	4,113,716	3,641,081
Future payments in lieu of corporate income taxes	1,028,630	486,000
Gain on disposal of property, plant and equipment	(19,025)	(51,067)
Other items not affecting cash	46,873	220,957
	<u>7,459,806</u>	<u>6,170,427</u>
Changes in non-cash working capital components - note 17	(599,969)	534,028
	<u>6,859,837</u>	<u>6,704,455</u>
Investing activities		
Acquisition of property, plant and equipment	(4,877,144)	(5,847,684)
Decrease (increase) in regulatory assets	899,233	(1,446,754)
Decrease in regulatory liabilities	(3,679,967)	(79,270)
Decrease in special deposits	434,908	70,305
Proceeds from disposal of property, plant and equipment	19,025	89,488
	<u>(7,203,945)</u>	<u>(7,213,915)</u>
Financing activities		
Proceeds of issuance of long-term debt	550,000	5,700,000
Capital contributions received	265,560	196,588
Repayment of long-term debt	(567,012)	(499,546)
Decrease in customer deposits	(434,908)	(70,305)
Dividends paid	(1,450,000)	(750,000)
	<u>(1,636,360)</u>	<u>4,576,737</u>
(Decrease) increase in cash and cash equivalents	(1,980,468)	4,067,277
Cash and cash equivalents, beginning of year	11,180,750	7,113,473
Cash and cash equivalents, end of year	9,200,282	11,180,750
Supplemental Disclosure of Cash Flows		
Interest received	158,760	73,961
Interest paid	2,202,707	2,020,425
Payment for income taxes	1,025,877	1,632,950

See accompanying notes

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Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

1. Incorporation

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. Another affiliated company, Brantford Generation Inc., was incorporated in 2007. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation. The Company provides electricity distribution services to residents of the City of Brantford. The operations of the company are regulated by the Ontario Energy Board (OEB).

2. Accounting Policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the OEB under the authority of the Ontario Energy Board Act, 1998. Significant accounting policies are summarized below:

Regulation

The Company is regulated by the OEB and requires OEB approval for any distribution service rate adjustments. The following accounting policies applicable to rate regulated operations differ from GAAP for companies operating in an unregulated environment:

Regulatory assets and liabilities

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power incurred by the utility.

Regulatory assets and liabilities will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in the results of operations in the period that the assessment is made. Asset and liability balances and current year activities are detailed in Note 8.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

2. Accounting Policies - continued

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions towards the cost of constructing company assets. Capital contributions for the year of \$265,560 (2010 - \$196,588) have been recorded as an offset to capital assets. Amortization of contributed capital is recorded at an equivalent rate to that used for amortization of the related assets.

Allowance for use of funds during construction

The company capitalizes an allowance for use of funds during construction representing the cost of funds during the construction period. The rate used is prescribed by the OEB and updated on a quarterly basis. The total allowance for use of funds during construction capitalized for the year amounted to \$56,469 (2010 - \$63,402).

Stranded meters

As a result of the OEB's smart meter initiative, the Company has removed conventional meters and replaced them with smart meters. The net book value of the conventional meters removed from service prior to the end of their useful life has been classified as stranded meters and reallocated from property, plant and equipment to intangible assets. The OEB will allow the Company to recover the costs of these stranded meters through a future rate application process.

Payment in lieu of income taxes

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate taxes (PILS) to the Ontario Electricity Financial Corporation (OEFC), beginning on October 1, 2001. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) and modified by the *Electricity Act, 1998*, and related regulations.

The Company uses the asset and liability method of accounting for payments in lieu of corporate income taxes. Accordingly, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax rates. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. In addition, the effect of future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment or substantive enactment date.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

2. Accounting Policies - continued

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. During the years presented, management has made a number of estimates and valuation assumptions including allowance for doubtful accounts receivable, unbilled revenue, useful lives, certain accruals, valuation of financial instruments including derivatives and future income tax liabilities. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

Inventories

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or net realizable value determined using a weighted average method. The Company classifies major construction related components of its electricity distribution system to property, plant and equipment.

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter reading during the year to the balance sheet date.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

2. Accounting Policies - continued

Property, plant and equipment

Property, plant and equipment 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 calculated on a straight-line basis over the estimated useful service life as follows.

Buildings	50 years
Transformer station	40 years
Distribution stations	30 years
Distribution lines - overhead	25 years
Distribution lines - underground	25 years
Distribution transformers	25 years
Distribution meters	25 years
Vehicles	5-8 years
Tools and other equipment	5-10 years
Capital contribution	25 years

Other electric plant and work in progress are amortized when put in service.

Intangible assets

Intangible assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis. Stranded meters represent distribution meters that have been replaced with smart meters and reallocated from property, plant and equipment. The OEB has allowed these retired meters to remain in rate base for rate making purposes. Amortization is calculated on a straight-line basis over the estimated useful service life as follows.

Stranded meters	25 years
Software	5 years

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

2. Accounting Policies - continued

Long-term prepaid expenses and special deposits

Long-term prepaid expenses consist of service fees paid providing the Company with the right to use non-owned specified tangible assets for future periods. These charges are amortized on a straight-line basis over 10 years representing the expected benefit period.

Amounts are recorded as special deposits when cash is collected related to customer deposits and are expected to be held for a period exceeding one year.

Revenue recognition

Distribution revenue is recorded as revenue in the period to which it relates. Distribution revenue includes an estimated accrual for the variable component of the distribution rate based on the electricity delivered but not yet billed to customers from the last meter reading date to the year end.

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

Impairment of long-lived assets

The Company reviews the valuation of long-term assets when events or changes in circumstances indicate that the assets' carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. There was no impact on the financial statements as a result of asset impairments for the years ended December 31, 2011 and 2010.

Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of electricity bills as prescribed by the OEB's Retail Settlement Code. Deposits expected to be refunded to customers within the next fiscal period are classified as a current liability.

Employee future benefits

The Company provides post-retirement medical and life insurance benefits to eligible employees. The cost of post-retirement medical and life insurance benefits is expensed using the projected benefit cost method prorated on services.

The Company has adopted the corridor method of accounting for the actuarially determined gains and losses. Cumulative gains and losses in excess of 10% of the beginning accrued benefit obligation are amortized into expense on a straight-line basis over the expected remaining lifetime of the inactive members receiving benefits under the plan (15 years).

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

2. Accounting Policies - continued

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. Any adjustment to the liability of its fair value as a result of the passage of time is charged to earnings.

Comprehensive Income

CICA Handbook Section 1530 requires the presentation of comprehensive income and its components in a financial statement. Comprehensive income is composed of the Company's net income and other comprehensive income (OCI), which includes unrealized gains and losses on changes in the fair value of the effective portion of cash flow hedging instruments. The Company discloses comprehensive income in the financial statement "Statement of Comprehensive Income". The cumulative changes in OCI are included in Accumulated other comprehensive income net of tax (AOCI), which is presented as a category of Shareholder's equity on the Company's Balance Sheet.

Financial Instruments

The Corporation designates its financial instruments in one of the following five categories: (i) held for trading (HFT); (ii) available for sale (AFS); (iii) held to maturity (HTM); (iv) loans and receivables (LR); or (v) other liabilities (OL). All financial instruments are initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value, with any change in fair value recognized in earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has elected to add transaction costs related to financial instruments classified as other than HFT to the carrying amount of the financial instrument.

The Company has elected to use settlement-date accounting for regular-way purchases and sales of financial assets.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

3. Future Changes in Accounting Framework

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP effective January 1, 2011. Subsequently, in September 2010, the AcSB issued an optional one year deferral in adoption of IFRS for rate-regulated entities. The Company qualifies for this deferral and has elected to defer adoption until January 1, 2012. The adoption date of January 1, 2012 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2011, and of the opening balance sheet as at January 1, 2011.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS on its financial statements. The Company does anticipate significant changes to those accounting policies which are unique to rate regulated entities under Canadian GAAP. In particular, the adoption of IFRS is expected to result in significant changes to the accounting of regulatory assets and liabilities and to the capitalization and other accounting policies applicable to self constructed property, plant and equipment. The Company also anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. At this time, the preliminary impact on the Company's 2011 financial position and results of operations is expected to be a reduction of pre-tax income by approximately \$2,500,000 related to rate regulation, capitalization policy changes, useful life changes and changes in the treatment of employee future benefits.

4. Rate Setting

The rates of the Company's electricity distribution business are subject to regulation by the OEB. The Company purchases electricity from the Independent Electricity System Operator (the IESO) at spot market or prescribed rates and charges its customers unbundled rates. The unbundled rates include the actual cost or prescribed cost of the electricity, transmission, wholesale market service charges and an approved rate for electricity distribution. The cost of electricity transmission and connection charges and debt retirement charges are collected by Brantford Power Inc. and remitted to the IESO and the Ontario Electricity Financial Corporation (the OEFC) respectively. The Company retains the distribution charges reflected on the customer billings. The distribution charges also incorporate, where applicable, OEB approved rate adders or riders that are necessary to dispose of regulatory assets and liabilities.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

4. Rate Setting - continued

The OEB has the general power to include or exclude costs, revenues, losses or gains in the distribution rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from customers in the future and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts of expenses incurred in different periods than would be the case had the company been unregulated.

Specific regulatory assets and liabilities are disclosed in note 8.

In the absence of rate regulation, distribution revenue would have been lower by \$3,367,713 (2010 - \$1,707,866), cost of power would have been lower by \$985,278 (2010 - \$3,753,601), other income would have been lower by \$14,601 (2010 - \$16,144), distribution operations and maintenance would have been higher by \$51,216 (2010 - lower by \$46,971), general administration would have been higher by \$57,877 (2010 - \$68,032), amortization would have been higher by \$315,364 (2010 - \$373,781), and interest income would have been higher by \$48,937 (2010 - \$43,600). The net effect, in the absence of rate regulation, is a pre-tax decrease in net income for 2011 of \$2,772,556 (2010 - increase of \$1,678,349).

The Company administers several programs through the Ontario Power Authority (OPA) conservation project. The revenues and expenses related to these programs are not subject to the regulation of the OEB.

On October 21, 2009 the Company filed an application for 2010 rates on the basis of the OEB's third generation Incentive Regulation Mechanism (IRM) policy which incorporates an OEB-approved formula that considers inflation and efficiency targets. On April 12, 2010, the OEB released its decision. This decision included the repayment of \$7,650,132 in regulatory liabilities over a two year period. The revised rates were approved with an effective date of May 1, 2010.

On October 29, 2010 the Company filed an application for 2011 rates also on the basis of the OEB's third generation IRM policy. On March 28, 2011, the OEB released its decision. This decision included the repayment of \$1,192,282 in regulatory liabilities. The revised rates were approved with an effective date of May 1, 2011.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

4. Rate Setting - continued

On November 10, 2011 the Company filed an application for 2012 rates also on the basis of the OEB's third generation IRM policy. This application has proposed the repayment of \$5,841,761 in regulatory liabilities. Included in this total is \$2,021,450 in PILs that resulted from the OEB PILs proceeding concluded during 2011. The PILs amount was previously not reflected in the regulatory liabilities total and will reduce distribution revenue as it is returned to the customers. These rates would be effective May 1, 2012. The OEB has not released its decision regarding the application.

5. Property, Plant and Equipment

	<u>2011</u>			<u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land	181,961	-	181,961	181,961
Buildings	1,163,732	171,258	992,474	1,015,748
Transformer station	4,507,912	780,833	3,727,079	3,801,417
Distribution stations	74,427	27,544	46,883	49,364
Distribution lines - overhead	28,522,309	9,630,502	18,891,807	18,624,257
Distribution lines - underground	32,009,172	9,026,027	22,983,145	22,225,393
Distribution transformers	17,352,178	5,670,172	11,682,006	11,830,709
Distribution meters	3,988,195	1,014,467	2,973,728	1,984,840
Vehicles	3,033,111	2,142,108	891,003	852,652
Tools and other equipment	800,611	209,499	591,112	640,041
Capital contributions	(3,851,573)	(684,783)	(3,166,790)	(3,055,303)
Other utility plant	54,756	-	54,756	51,816
Work in progress	24,008	-	24,008	104,107
	<u>87,860,799</u>	<u>27,987,627</u>	<u>59,873,172</u>	<u>58,307,002</u>

6. Intangible Assets

	<u>2011</u>			<u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land rights and easements	5,968	-	5,968	5,968
Stranded meters	5,269,572	2,032,381	3,237,191	4,457,373
Software	435,330	199,178	236,152	84,272
	<u>5,710,870</u>	<u>2,231,559</u>	<u>3,479,311</u>	<u>4,547,613</u>

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

7. Related Party Transactions

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford (the City). Brantford Energy Corporation also owns Brantford Hydro Inc. and Brantford Generation Inc.

The Company obtains certain administrative and management services from the City and Brantford Energy Corporation. The Company also provides services to the City, Brantford Generations Inc. and Brantford Hydro Inc. These services were made in the normal course of business and have been recorded at the exchange amounts.

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, customer care, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement. Total charges from the City under this shared agreement were \$8,063,255 (2010 - \$8,696,419). As at December 31, 2011 the balance owing to the City for these services was \$1,489,970 (2010 - \$1,697,640).

For the year ended December 31, 2011, the Company provided electricity to the City in the amount of \$5,109,891 (2010 - \$5,113,692). The Company also provided other services to the City in the amount of \$138,410 (2010 - \$273,143).

For the year ended December 31, 2011, the Company paid property tax to the City in the amount of \$16,868 (2010 - \$18,887).

The Company obtains management services from Brantford Energy Corporation. Total charges for these services were \$151,041 (2010 - \$124,125). As at December 31, 2011 the balance owing to Brantford Energy Corporation for these services was \$23,312 (2010 - \$11,123).

The Company charges pole rental fees to Brantford Hydro Inc. These rental fees allow fibre optic cables to be attached to the Company's distribution assets. Total rental fees for this access were \$42,532 (2010 - \$41,102).

For the year ended December 31, 2011, the Company provided electricity to Brantford Generation Inc. in the amount of \$104,059 (2010 - \$48,091). A long term customer deposit of \$6,955 (2010 - \$7,665) has been paid to the Company from Brantford Generation Inc.

For the year ended December 31, 2011, the Company purchased electricity from Brantford Generation Inc. in the amount of \$1,641,833 (2010 - \$243,060). As of December 31, 2011 the balance owing to Brantford Generation was \$192,299 (2010 - \$36,410).

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2011

8. Regulatory Assets and Liabilities

Based on existing regulatory orders or the expectation of future regulatory orders, the Company has recorded the following amounts, net of income tax and amortization where applicable, which are expected to be recovered from or refunded to customers:

	<u>2011</u>	<u>2010</u>
	\$	\$
Regulatory assets		
Retail Market Settlement		
Retail settlement variance account - Global Adjustment	-	527,990
Retailer cost variance accounts	339,637	320,955
Other		
Smart meters	3,048,342	3,520,157
Distribution revenue rate change	527,214	388,432
Special purpose charge	19,478	136,836
Other regulatory assets	212,657	152,191
Net regulatory assets	4,147,328	5,046,561
 Regulatory liabilities		
Retail Market Settlement		
Retail settlement variance accounts	4,265,592	5,117,572
Retail settlement variance account - Global Adjustment	205,504	-
Other		
Regulatory future income tax liability	509,205	466,778
Regulatory liabilities refundable through approved rate riders	2,349,523	5,425,441
Net regulatory liabilities	7,329,824	11,009,791

Retail settlement variance accounts

The retail settlement variance accounts represent differences between charges billed to customers using the prescribed prices as outlined in the OEB's Retail Settlement Code and the actual costs billed to Brantford Power Inc. by the IESO.

Retail cost variance accounts

The retailer cost variance accounts represent differences between charges billed to retailers using the prescribed prices as outlined in the OEB's Retail Settlement Code and the actual costs paid by Brantford Power Inc. to operate and maintain the systems related to the retail market.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

8. Regulatory Assets and Liabilities - continued

Smart meters

On April 12, 2006, the OEB approved the establishment of regulatory deferral accounts for smart meter-related expenditures and approved a monthly rate adder charge of \$0.28 per metered customer for the Company. Effective May 1, 2009, the OEB increased the monthly adder to \$1.00 per metered customer. Effective May 1, 2010, the OEB increased the monthly adder to \$2.07 per metered customer. Effective May 1, 2011, the OEB maintained the monthly adder at \$2.07 per metered customer. In its 2012 application to the OEB, the Company has requested the monthly adder be removed.

The Company has recorded a regulatory asset consisting of the net balance of capital and operating expenditures for smart meters, less recoveries received from the rate adder. These expenditures and recoveries will continue to be reported as regulatory assets or liabilities until the Company applies to the OEB to redistribute the amounts to capital or operations.

Distribution revenue rate change

On February 25, 2009, Brant County Power Inc. (BCPI) filed a motion with the OEB to review and vary the Company's 2008 Electricity Distribution Rates. BCPI disputed the rates they were being charged as well as the date that the Company could bill retroactively. The OEB released its decision and order related to this motion on August 10, 2010. The decision allowed the Company to record a regulatory asset consisting of the revenue deficiency between the rates that were approved during the 2008 cost of service application for the Company's embedded distributor and the rates that were approved as a result of the BCPI motion.

Special purpose charge

On April 9, 2010, the OEB informed electricity distributors of a Special Purpose Charge (SPC) assessment under Section 26.1 of the OEB Act, for the Ministry of Energy and Infrastructure conservation and renewable energy program costs. The OEB assessed the Company the amount of \$376,534 for its apportioned share of the total provincial amount of the SPC of \$53,695,000 in accordance with the rules set out in Ontario Regulation 66/10 (the SPC Regulation). In accordance with Section 9 of the SPC Regulation, the Company was allowed to recover this balance. The recovery was completed as at April 30, 2011. As at December 31, 2011, the balance in the account consists of the Company's assessment less the recoveries received from customers.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2011

8. Regulatory Assets and Liabilities - continued

Regulatory future income tax liability

The Company has recorded a regulatory liability account that relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of future tax assets.

Regulatory liabilities refundable through approved rate riders

The regulatory liabilities refundable through approved rate riders consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through rate riders. The amount is subject to carrying charges following the OEB prescribed methodology and related rates.

9. Long-Term Debt

	<u>2011</u>	<u>2010</u>
	\$	\$
Note payable, bearing interest at 5.87%, repayable to the City, interest only payable annually - due February, 2016	24,189,168	24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2013	4,361,278	4,715,635
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due November, 2016	683,657	798,292
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments due December, 2032	2,212,664	2,268,400
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments due December, 2050	4,769,966	4,808,821
Ontario Infrastructure and Lands Corporation construction advances with interest at 1.75% (2010 - 1.54%)	5,301,704	4,750,364
	41,518,437	41,530,680
Less current portion	598,986	1,250,304
	40,919,451	40,280,376

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

9. Long-Term Debt - continued

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$ 100 per common share. Interest payable to the City of \$1,427,564 (2010 - \$1,511,823) was outstanding as at December 31, 2011.

The Company entered into a swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 5,900,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.71% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

The Company entered into a second swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 1,200,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.97% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

These credit facilities are secured by general security agreement over all assets of the Company and an assignment of related fire insurance.

Estimated principal repayment requirements are as follows:

	\$
2012	598,986
2013	4,230,214
2014	249,710
2015	263,489
2016	24,466,732
Thereafter	11,709,306

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

10. Employee Future Benefits

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro-Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The Company is also obligated to provide post retirement benefits to an active employee.

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2011 and the expense for the period ended December 31, 2011 are based on an actuarial valuation done as at January 1, 2008.

The obligation is unfunded since no assets have been segregated and restricted to provide the post-retirement benefits.

Significant Assumptions

The key weighted-average assumptions used by the Company for the measurement of the benefit obligation and benefit expense are summarized as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
To determine benefit obligation at end of year		
Discount rate	3.25%	4.5%
Assumed long-term rate of return on assets	N/A	N/A
To determine benefit expense (income) for the year		
Discount rate	4.5%	5.0%
Assumed long-term rate of return on assets	N/A	N/A
Rate of increase in future compensation	N/A	N/A
Health care cost trend rates at end of year		
Initial rate	6.45%	7.30%
Ultimate rate	4.75%	4.75%
Year ultimate rate reached	2013	2013

Sensitivity Analysis

	<u>Change in</u> <u>Obligation</u>	<u>Change in</u> <u>Expense</u>
	\$	\$
Impact of 1% increase in assumed health care trend rate	119,000	13,000
Impact of 1% decrease in assumed health care trend rate	(103,000)	(11,000)

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2011

10. Employee Future Benefits - continued

	<u>2011</u>	<u>2010</u>
	\$	\$
Change in benefit obligation		
Benefit obligation at beginning of year	1,810,444	1,713,447
Interest cost on benefit obligation	80,151	85,054
Benefits paid	(58,616)	(24,737)
Actuarial (gain) loss on accrued benefit obligation	(68,747)	36,680
Benefit obligation at end of year	1,763,232	1,810,444
Change in fair value of assets		
Fair value of assets at beginning of year	-	-
Employer contributions	58,616	24,737
Benefits paid	(58,616)	(24,737)
Fair value of assets at end of year	-	-
Reconciliation of funded status to accrued benefit liability		
Deficit of fair value of assets over benefit obligation at end of year	1,763,232	1,810,444
Unamortized actuarial loss	(786,653)	(916,705)
Accrued benefit liability at end of year	976,579	893,739
Reconciliation of accrued benefit liability		
Accrued benefit liability at beginning of year	893,739	774,365
Benefit expense recognized	141,456	144,111
Benefits paid	(58,616)	(24,737)
Accrued benefit liability at end of year	976,579	893,739
Annual benefit expense		
Interest cost on benefit obligation	80,151	85,054
Actuarial loss	61,305	59,057
Benefit expense recognized	141,456	144,111
Cash payments		
Benefit premiums paid	91,633	86,464

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

11. Contingencies and Commitments

General Liability Insurance

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2013. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2011, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a three year underwriting period which expires on January 1, 2013.

Smart Meter Initiative

The OEB has mandated that the Company is to bill Time of Use Prices using "Smart Meter" electricity meters and the Provincial Meter Data Management/Repository effective July 2011. The Company was granted an extension of the effective date to December 2011.

The Company has installed approximately 37,134 (2010 - 35,255) Smart Meters as of the end of 2011 and anticipates having installed a total of 37,240 Smart Meters upon completion of its mass deployment.

12. Subsequent Event

During December 2011, the City announced plans to restructure the Company to better meet the Affiliate Relationship Code of the OEB. The major change relates to approximately 60 staff members currently employed by the City becoming employees of the Company. The restructuring will be effective April 1, 2012. At this time, the impact on the Company's future financial position and results of operations is not reasonably determinable or estimable.

13. Share Capital

Authorized

Unlimited number of common shares

	<u>2011</u>	<u>2010</u>
	\$	\$
Issued		
1,001 common shares	22,437,505	22,437,505

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2011

14. Accumulated Other Comprehensive Loss

	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>
Balance at beginning of year	(374,658)	(342,478)
Other comprehensive loss, net of tax	(143,621)	(32,180)
Balance at end of year, net of tax	(518,279)	(374,658)

15. Pension Plan

The Company participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan, on behalf of its employee. The plan is a contributory defined benefit pension plan. Contributions are 7.4% for employee earnings below the year's maximum pensionable earnings and 10.7% thereafter. The contribution rates are expected to change to 8.3% for employee earnings below the year's maximum pensionable earnings and 12.8% thereafter for 2012. During 2011, the Company expensed contributions totaling \$Nil (2010 - \$11,554) made to OMERS in respect of the employer's required contributions to the plan as its employee had reached 35 years credited service in the OMERS plan.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

16. Electricity Distribution Service Charges

The company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company may file to recover uncollected debt retirement charges from OEFC once each year. Otherwise, the Company is unable to recover uncollected amounts formerly remitted to these third parties. The Company retains only its electricity distribution service charge that is regulated by the OEB.

Electricity distribution service charges comprise:

	<u>2011</u> \$	<u>2010</u> \$
Gross customer billings	105,109,712	102,691,543
Less pass through charges billed by the Company		
Electricity charges paid through to generators	(66,724,020)	(62,528,186)
Transmission and miscellaneous charges	(10,618,115)	(12,192,434)
Market service charges	(6,186,857)	(6,234,467)
Debt retirement charges	(6,422,286)	(6,442,494)
<u>Total electricity distribution service charges</u>	<u>15,158,434</u>	<u>15,293,962</u>

17. Statement of Cash Flows

	<u>2011</u> \$	<u>2010</u> \$
Changes in non-cash working capital		
Accounts receivable	1,109,739	(1,329,770)
Unbilled revenue	358,818	617,437
Inventories	100,514	48,853
Prepaid expenses	39,379	(6,769)
Accounts payable and accrued liabilities	(1,465,361)	874,241
Accounts payable to the City of Brantford	(207,670)	42,758
Interest payable to the City of Brantford	(84,259)	-
Due to affiliates	226,604	20,653
Payments in lieu of corporate income taxes	(677,733)	266,625
	<u>(599,969)</u>	<u>534,028</u>

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

18. Amortization

	<u>2011</u>	<u>2010</u>
	\$	\$
Amortization of capital assets	3,842,300	3,374,841
Amortization of capital assets charged to distribution operations and maintenance	271,416	266,240
	<u>4,113,716</u>	<u>3,641,081</u>

19. Capital Disclosures

The Company's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system;
- ensure compliance with covenants related to its credit facilities; and
- align its capital structure with the debt to equity structure deemed by the OEB.

As at December 31, 2011, the Company's definition of capital includes shareholder's equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2011, shareholder's equity amounts to \$34,278,132 (2010 - \$33,582,141) and long-term debt, amounts to \$41,518,437 (2010 - \$41,530,680). The Company's capital structure as at December 31, 2011 is 55% debt and 45% equity (2010 - 55% debt and 45% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2011 and as at December 31, 2010, the Company was in compliance with all covenants.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

20. Financial Instruments

All financial instruments are initially recorded on the balance sheet at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected by the Company for the financial instrument. All financial instruments are classified into one of the five categories: held-for-trading, loans and receivables, other liabilities, held-to-maturity investments or available-for-sale financial assets

Held-for-trading (HFT) financial instruments are financial assets and financial liabilities typically acquired with the objective of resale or short-term buyback. The carrying amount is recorded at fair value determined using market prices. Interest earned and gains and losses incurred are recognized in net income. Cash and cash equivalents and special deposits are designated as financial assets held-for-trading and are measured at fair value with changes being recorded in net income at each period end. Derivative liabilities are designated as financial liabilities held-for-trading and are measured at fair value with changes being recorded in other comprehensive income at each period end.

Loans and receivables (LR) are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are measured at amortized cost. Accounts receivable and unbilled revenue are classified as loans and receivables and are measured at fair value at inception, which due to their short-term nature, approximates amortized cost.

Other liabilities (OL) are promises to repay on specified dates or on demand usually with interest. Accounts payable and accrued liabilities and accounts payable to the City of Brantford, interest payable to the City of Brantford and due to affiliates are classified as other liabilities and are measured at fair value at inception, which due to their short-term nature, approximates amortized cost. Long-term debt and customer deposits are also classified as other liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Held-to-maturity (HTM) financial assets have fixed or determinable payments and maturity, and management's intention and ability are to hold to maturity. These financial assets are measured at amortized cost. The Company does not hold any financial assets under this classification.

Available-for-sale (AFS) instruments are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading financial assets. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in OCI. The Company does not hold any financial assets under this classification.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

20. Financial Instruments - continued

Interest Rate Risk

Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

Two term facility loans bear interest at floating rates and thus, the carrying values approximate fair values. However, the Company has entered into two interest rate swap transactions, derivative instruments designated as a cash flow hedges, the effect of which is to fix the interest rate on the first \$4,369,000 term facility loan at 4.71% and the second \$686,000 term facility loan at 4.97%. The potential replacement cost to Brantford Power Inc. of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was \$713,683 (2010 - \$525,435), which was in the favour of Royal Bank. Net unrealized loss in fair value of \$191,491 (2010 - \$42,910) is presented in current year Other Comprehensive Loss. The Company entered into these interest rate swap transactions to fix the interest rates over the long term and intends to hold these to maturity at which time there should be no replacement cost.

Credit Risk

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. The Company is currently holding customer deposits on hand in the amount of \$2,073,612 (2010 - \$2,508,520) which is reflected on the Balance Sheet. Customer deposits are limited to those allowed under the OEB's Retail Settlement Code. Allowances of \$680,000 (2010 - \$608,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2011, the outstanding amounts receivable from the largest ten customers represented \$1,923,019 or 27% (2010 - \$2,426,830 or 29%) of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

Liquidity Risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cashflows generated from operations to meet its requirements.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

20. Financial Instruments - continued

Prudential Support

Brantford Power Inc. is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2011, the Company provided prudential support in the form of a bank letter of credit of \$9,375,721 (2010 - \$9,375,721).

Revolving Term Facility

As at December 31, 2011, the Company has been authorized for a revolving term facility of \$7,000,000 of which NIL had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

Fair Value of Other Financial Instruments

a) Establishing fair value

The carrying values of cash and cash equivalents, accounts receivable, special deposits, accounts payable and accrued liabilities, accounts payable to the City of Brantford, interest payable to the City of Brantford, and due to Brantford Energy Corporation approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Fair values for other financial instruments, detailed below, have been estimated with reference to quoted market prices for actual or similar instruments where available, except for certain related party transactions.

Customer deposits fair value equals carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the Ontario Energy Board.

The fixed rate long-term debt facility, maturing December 2032, funded by the Ontario Infrastructure and Lands Corporation (OILC) has an estimated fair value of \$2,492,700 (carrying value - \$2,212,664). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2011, of 3.78% per annum, (actual rate - 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

20. Financial Instruments - continued

The fixed rate long-term debt facility, maturing December 2050, funded by the OILC has an estimated fair value of \$5,442,200 (carrying value - \$4,769,966). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2011, of 4.00% per annum, (actual rate – 4.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The promissory note payable to the Corporation of the City of Brantford, classified as an OL, is valued at face value. It is not practicable within constraints of timeliness or cost to measure reliably the fair value of this financial liability that originated in a related party transaction.

Construction advances funded by the OILC, classified as OL are valued at face value. Upon completion of construction the term of the loan will be 15 years.

The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Brantford Power Inc.
Notes to the Financial Statements
for the year ended December 31, 2011

20. Financial Instruments - continued

The following table presents the financial instruments recorded at fair value in the Balance Sheet, classified using the fair value hierarchy described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total financial assets and liabilities at fair value</u>
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	9,200,282	-	-	9,200,282
Special deposits	2,073,612	-	-	2,073,612
Total financial assets	11,273,894	-	-	11,273,894
Financial liabilities				
Customer deposits	2,073,612	-	-	2,073,612
Total financial liabilities	2,073,612	-	-	2,073,612

During the year, there has been no transfer of amounts between Level 1 and Level 2 and no financial assets or liabilities have been identified as Level 3.

Brantford Power Inc.

Notes to the Financial Statements

for the year ended December 31, 2011

21. Payments in Lieu of Corporate Income Taxes

The Company's income tax expense for the year ended December 31, 2011 consists of the following:

Temporary differences which give rise to future income tax assets and liabilities are as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Regulatory assets	643,641	1,658,807
Cumulative eligible capital	156,910	170,190
Allowance for doubtful accounts	178,500	171,760
Property, plant and equipment	1,063,135	1,047,872
Employee future benefits	244,390	224,150
Unrealized losses on derivative liabilities	171,620	123,750
Future income tax assets	<u>2,458,196</u>	<u>3,396,529</u>

Distributed as such:

Future payments in lieu of corporate income tax asset		
Current	178,500	171,760
Non-current	2,279,696	3,224,769
	<u>2,458,196</u>	<u>3,396,529</u>

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of statutory rates is as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Income tax expense at the combined basis federal and provincial statutory tax rate	1,003,091	1,192,799
Net change in regulatory assets	8,794	1,161,325
Capital cost allowance in excess of amortization	(140,633)	(779,373)
Net change in tax reserves	(95,268)	47,254
Tax effect of gain on sale of fixed assets	(6,373)	(15,831)
Tax effect of expenses that are not deductible for income tax purposes	423	754
	<u>770,034</u>	<u>1,606,928</u>

22. Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND REGULATORY ACCOUNTING

The only reconciliation required between financial statements and regulatory accounting relate to those expenses which the Board has disallowed for Application purposes. These have been identified in the table below. These expenses have been removed from requested OM&A expenses for the 2013 Test Year in Exhibit 4 of this Application.

1 **Table 1.6 – OM&A Reconciliation to Audited Financial Statements**

Description	2008	2009	2010	2011
OM&A as per Audited Financial Statements	7,973,320	7,688,125	7,548,966	6,971,079
Add Special Purpose Charge	0	0	376,534	0
Add IESO Fees and Penalties	54,424	51,567	51,566	51,758
Add Retailer RCB Avoided cost	30	0	0	0
Less Smart Meter Amortization	0	0	373,781	315,364
Less Property Taxes	11,149	10,498	11,272	9,052
Less OPA CDM	321,479	0	0	0
Less Donations	1,150	1,125	7,075	1,450
OEB Trial Balance	7,693,996	7,728,069	7,584,938	6,696,972
OM&A Contra Account Adjustment	0	0	373,781	315,364
Total OM&A Expenses	7,693,996	7,728,069	7,958,719	7,012,336
Less Special Purpose Charge	0	0	376,534	0
Total Recoverable OM&A Expenses	7,693,996	7,728,069	7,582,185	7,012,336

2 BPI also notes that for 2008, 2009, and 2010, it had not adopted the half year rule for
3 depreciation in the year of acquisition in its audited financial statements. In 2011, BPI
4 completed an adjusting entry that recorded the cumulative difference between actual depreciation
5 expense for these three years and the amount that would have been recorded using the half year
6 rule. This difference was booked to depreciation expense in 2011. As of 2011, BPI has adopted
7 the half year rule for depreciation in the year of acquisition. This is reflected in 2012 & 2013
8 amortization expense and related continuity schedules as found in Exhibit 2 and Exhibit 4.