



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
1500 Bishop Street, P.O. Box 1060, Cambridge, ON N1R 5X6
Phone: 519-621-8405 Fax: 519-621-0383

April 25, 2014

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street,
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Cambridge and North Dumfries Hydro Inc., 2014 Electricity Distribution
Rate Application, Responses to Interrogatories, Board File No. EB-2013-
0116**

Cambridge and North Dumfries Hydro Inc. is pleased to provide the response to
Interrogatory 7.1-SEC-40 a).

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Grant Brooker".

Grant Brooker, CPA, CA
Manager, Regulatory Affairs
Cambridge and North Dumfries Hydro Inc.
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7.1-SEC-40

Reference: Ex. 1, Appendix 1-3, p. 16

INTERROGATORY

With respect to the Applicant's 2013 financial statements:

- (a) Please provide the 2013 financial statements as soon as they are available.

RESPONSE

In CND's response to this Interrogatory filed with all other responses on February 25, 2014, CND indicated that it would file a copy of its 2013 financial statements once completed. At CND's Board of Directors' meeting held Tuesday April 22, 2014, the 2013 audited financial statements were approved.

As such, please find attached a PDF document of the completed financial statements.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Financial Statements

Year Ended December 31, 2013



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Financial Statements
Year Ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Cambridge and North Dumfries Hydro Inc.

We have audited the accompanying financial statements of Cambridge and North Dumfries Hydro Inc., which comprise the balance sheet as at December 31, 2013, the statements of operations, retained earnings and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 Cambridge and North Dumfries Hydro Inc. as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slightly slanted. A long, thin horizontal line is drawn underneath the signature, starting from the left and extending to the right, ending under the "P".

Chartered Professional Accountants, Licensed Public Accountants

April 22, 2014
Waterloo, Canada



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Balance Sheet
Year Ended December 31, 2013

	2013	2012
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	\$ 12,635	\$ 14,607
Accounts receivable	13,988	13,984
Unbilled revenue	18,443	12,911
Inventories (note 3)	2,052	2,405
Prepaid expense	653	389
Payments in lieu of corporate income taxes recoverable	276	893
Regulatory assets (note 4)	3,449	4,437
	51,496	49,626
Capital assets (note 2)	104,384	96,084
Other assets		
Future tax assets (note 5)	1,160	2,843
Regulatory assets (note 4)	1,876	3,140
	3,036	5,983
	\$ 158,916	\$ 151,693



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Balance Sheet (continued)
Year Ended December 31, 2013

	2013	2012
	\$'000	\$'000
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,096	\$ 15,425
Customer deposits	8,882	9,917
Intercompany debt (note 8)	6,687	6,740
Regulatory liabilities (note 4)	6,174	1,945
	<u>41,839</u>	<u>34,027</u>
Long-term liabilities		
Long-term debt (note 6)	35,000	35,000
Customer deposits	2,624	2,394
Post-employment benefits (note 7)	2,126	2,135
Regulatory liabilities (note 4)	4,633	7,881
	<u>44,383</u>	<u>47,410</u>
Shareholder's equity		
Capital stock (note 9)	38,224	38,224
Retained earnings	34,470	32,032
	<u>72,694</u>	<u>70,256</u>
	<u>\$ 158,916</u>	<u>\$ 151,693</u>

See accompanying notes to financial statements.

On behalf of the Board

Director

Director



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Income and Comprehensive Income
Year Ended December 31, 2013

	2013	2012
	\$'000	\$'000
Revenue		
Energy sales	\$ 172,055	\$ 166,496
Distribution revenue	24,629	25,027
Other revenue	1,293	1,265
	<u>197,977</u>	<u>192,788</u>
Operating expense		
Energy purchases	172,055	166,496
Operations and maintenance	3,978	5,352
Administration	10,365	8,486
Amortization of capital assets	4,610	4,774
	<u>191,008</u>	<u>185,108</u>
Operating income	6,969	7,680
Interest revenue (expense)		
Interest income	212	494
Interest expense	(2,137)	(2,528)
	<u>(1,925)</u>	<u>(2,034)</u>
Income before payments in lieu of corporate income taxes	5,044	5,646
Payments in lieu of corporate income taxes recovery (expense)(note 5)	15	(403)
Net income	<u>\$ 5,059</u>	<u>\$ 5,243</u>

See accompanying notes to financial statements.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Retained Earnings
Year Ended December 31, 2013

	2013	2012
	\$'000	\$'000
Retained earnings, beginning of year	\$ 32,032	\$ 29,737
Net income	5,059	5,243
Dividends paid (note 10)	(2,621)	(2,948)
Retained earnings, end of year	\$ 34,470	\$ 32,032

See accompanying notes to financial statements.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
	\$'000	\$'000
Cash provided by (used in):		
Operating activities		
Net income	\$ 5,059	\$ 5,243
Items not affecting cash:		
Amortization of capital assets	4,152	4,919
(Gain) on disposal of capital assets	(3)	(36)
Increase (decrease) in non-current customer deposits	230	(45)
Post-employment benefits	(9)	98
	9,429	10,179
Net change in non-cash operating working capital (note 11)	4,023	(4,989)
	13,452	5,190
Financing activities		
Dividends paid (note 10)	(2,621)	(2,948)
Increase in contributed capital	2,879	368
	258	(2,580)
Investing activities		
Additions to capital assets	(15,331)	(8,302)
Proceeds on disposal of capital assets	3	47
Intercompany loan	(53)	51
Net change in long-term regulatory assets and liabilities	(301)	8,018
	(15,682)	(186)
(Decrease) increase in cash and cash equivalents	(1,972)	2,424
Cash and cash equivalents, beginning of year	14,607	12,183
Cash and cash equivalents, end of year	\$ 12,635	\$ 14,607

See accompanying notes to financial statements.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements
(In thousands of dollars)
Year Ended December 31, 2013

Cambridge and North Dumfries Hydro Inc. [the "Company"] is the electric distribution utility for residents of the City of Cambridge and the Township of North Dumfries. The Company is a regulated electricity distribution company incorporated by Certificate of Incorporation under the laws of the Province of Ontario on January 1, 2000. The Company is a wholly-owned subsidiary of Cambridge and North Dumfries Energy Plus Inc. ["Energy Plus"], whose shareholders are the City of Cambridge [the "City"] and the Township of North Dumfries [the "Township"].

1. Significant accounting policies

(a) Basis of accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ["GAAP"] for rate regulated entities.

(b) Regulation

The Energy Competition Act, 1998 ["Act"] provides the Ontario Energy Board ["OEB"] with increased powers and responsibilities for regulatory oversight of electricity matters in the Province of Ontario. The Act sets out the OEB's powers to prescribe license requirements and conditions of compliance including, among other things, specified accounting records, regulatory accounting principles; and filing and process requirements for rate setting purposes.

The Company is regulated by the OEB under the authority granted by the Ontario Energy Board Act, 1998. The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

1. Significant accounting policies (continued)

(b) Regulation (continued)

In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from GAAP for enterprises operating in a non-rate regulated environment. The OEB has the general power to include or exclude costs, revenues, losses or gains in the 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 involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. Regulatory assets represent future rate adjustments associated with certain costs incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in rates associated with amounts that are expected to be refunded to customers as a result of the rate setting process.

(c) Financial instruments

The Company follows the provisions of CPA Handbook Section 3855 for the recognition and measurement of financial assets and liabilities. At inception, all financial instruments are measured at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Company.

The Company has elected the following with respect to its financial assets and liabilities:

Cash is classified as “assets held-for-trading” and is measured at fair value.

Cash equivalents, comprising short-term investments, are classified as “Held-to-maturity investments” and are measured at amortized cost, which upon initial recognition is considered equivalent to fair value.

Accounts receivable are classified as “Loans and receivables”, and are initially measured at amortized cost, which upon initial recognition is fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

1. Significant accounting policies (continued)

(c) Financial instruments (continued)

Accounts payable and long-term debts are classified as "Other financial liabilities" and are initially measured at amortized cost, which upon initial recognition is fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(d) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivables, and the Company believes that its credit risk exposure is limited. The Company routinely assess the financial strength of its customers in accordance with OEB regulations and requires collateral to support customer accounts receivable on specific accounts to mitigate losses.

The Company has a revolving demand credit facility available in the amount of \$8,000 with a Canadian chartered bank. Borrowings under the credit facility may be in the form prime rate loans; current account overdrafts; or Bankers' Acceptances. As December 31, 2013, the Company had drawn \$nil (2012 - \$nil) on the credit facility.

(e) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Accounts receivable is reported based on amounts expected to be recovered less an appropriate allowance for unrecoverable amounts based on prior experience. Unbilled revenue and regulatory assets are reported based on amounts expected to be recovered. Inventory is recorded net of a provision for obsolescence. Amounts recorded for amortization of capital assets are based on estimates of useful life.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy ["MEI"].



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

1. Significant accounting policies (continued)

(f) Inventory

Inventory, which consists of parts and supplies acquired for internal construction or consumption for the maintenance of capital assets, is valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(g) Capital assets

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, and directly attributable overheads. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions be offset against the related asset cost.

Costs incurred to remove an existing asset from service that are not directly attributable to site preparation for the construction of new assets are expensed.

Spare transformers and meters are treated as capital assets, as these items are held for back up of plant-in-service equipment or the substitution of original distribution plant equipment when these original plant assets are being repaired.

The utility plant assets are amortized at the following rates on a straight-line basis over their expected useful life:

	New Estimated Service Life
Buildings	5 – 80 years
Transformer Station Equipment	15 – 60 years
Distribution Transformers	20 – 80 years
Distribution System	15 – 99 years
Meters	15 – 45 years
System Supervisory Equipment	15 years
Other Capital Assets	3 – 10 years

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

1. Significant accounting policies (continued)

(h) Customer deposits

Customers may be required to post security to obtain electricity or other services. These amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest is paid in accordance with the OEB regulations with interest rates based on a variable rate of prime less 2.0%, updated quarterly.

(i) Pension and other post-employment benefits

The Company provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ["OMERS"]. Participation in OMERS requires employers and employees to make contributions based on participating employee's contributory earnings. The Company recognizes the expense related to this plan as contributions are made.

The Company pays certain post-employment benefits on behalf of its retired employees.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimates. The estimated post-employment costs are recognized in the period in which the employees render the services. The amount of the obligation is determined from actuarial valuations performed every three years. In the years between valuations, an extrapolation is used.

The Company recognizes actuarial gains and losses over the time period between actuarial valuations, which in most cases, is three years.

(j) Revenue recognition

Distribution revenue attributable to the delivery of electricity is based upon OEB approved distribution tariff rates and is recognized as electricity is delivered to customers, which includes an estimate of unbilled revenue, which represents electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from estimates.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

1. Significant accounting policies (continued)

(k) Payment in lieu of corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporation income taxes ["PILs"] to Ontario Energy Financial Corporation ["OEFEC"]. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario), as modified by the Electricity Act, 1998, and related regulations.

The amount of PILs will be approximately equivalent to the taxes that would have to be paid if the Company was a taxable entity under Income Tax Act (Canada). PILs are recoverable and included in approved rates charged to customers.

The Company accounts for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available, if any, to be carried forward to future years for tax purposes that are likely to be realized.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

2. Capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 467	\$ -	\$ 467	\$ 467
Buildings	6,766	3,973	2,793	2,575
Transformer station equipment	10,054	3,118	6,936	7,264
Distribution transformers	46,239	22,915	23,324	21,695
Distribution system	138,076	64,538	73,538	64,530
Meters	10,165	2,434	7,731	7,744
System supervisory equipment	714	714	-	-
Other capital assets	12,626	8,027	4,599	4,281
	225,107	105,719	119,388	108,556
Contributed capital	(20,139)	(5,135)	(15,004)	(12,472)
	\$ 204,968	\$ 100,584	104,384	\$ 96,084

3. Inventories

	2013	2012
Stores	\$ 1,922	\$ 2,277
Reel	77	84
Fuel	46	37
Street lights	7	7
	\$ 2,052	\$ 2,405



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

4. Regulatory assets and liabilities

Regulatory assets and liabilities can arise as a result of the rate-making process [note 1(b)].

Net regulatory assets (liabilities):

	2013	2012
Total regulatory assets	\$ 5,325	\$ 7,577
Total regulatory liabilities	(10,807)	(9,826)
	<u>\$ (5,482)</u>	<u>\$ (2,249)</u>

(a) Regulatory assets consist of the following:

	2013		2012	
	<u>Current</u>	<u>Long-term</u>	<u>Current</u>	<u>Long-term</u>
Retail settlement variances	\$ 305	\$ 48	\$ 4,351	\$ (185)
Smart Meters	1,631	1,135	-	2,766
Accounting changes under GAAP	1,513	693	86	559
	<u>\$ 3,449</u>	<u>\$ 1,876</u>	<u>\$ 4,437</u>	<u>\$ 3,140</u>

(b) Regulatory liabilities consist of the following:

	2013		2012	
	<u>Current</u>	<u>Long-term</u>	<u>Current</u>	<u>Long-term</u>
Retail settlement variances	\$ 3,653	\$ 2,212	\$ 1,945	\$ 3,538
Future tax assets – regulatory liability	-	1,160	-	2,843
Accounting changes under GAAP	2,298	1,149	-	1,500
Other	223	112	-	-
	<u>\$ 6,174</u>	<u>\$ 4,633</u>	<u>\$ 1,945</u>	<u>\$ 7,881</u>



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

4. Regulatory assets and liabilities (continued)

(c) Pro-forma effect on income before payments in lieu of corporate income taxes:

	2013	2012
Income before PILs of corporate income taxes	\$ 5,045	\$ 5,646
Incremental effect on income:		
Smart meters	-	7,212
Retail settlement variances	4,158	4,848
Accounting changes under GAAP	1,947	1,500
Deferral and variance accounts	(1,086)	(554)
Extraordinary event	(479)	-
Lost revenue adjustment mechanism	(73)	(108)
Other	(1,232)	(338)
	\$ 3,235	\$ 12,559
Income before PILs of corporate income taxes without recognition of regulatory assets and liabilities	\$ 8,280	\$ 18,205



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

5. Payments in lieu of corporate income taxes

(a) Statement of Operations

	2013	2012
Income from continuing operations before income taxes	\$ 5,045	\$ 5,646
Statutory Canadian Federal and Provincial income tax rate	26.5%	26.5%
Expected taxes on income	1,337	1,496
Other permanent differences	28	37
Increase (decrease) in income taxes resulting from:		
Adjustment of prior years' taxes	(75)	-
Other current year timing differences not benefited	(1,229)	(1,051)
Other adjustments	(76)	(79)
Income tax (recovery) expense	(15)	\$ 403
Effective tax rate	0.3%	7.1%
Components of income tax (recovery) expense:		
Current tax (recovery) expense	\$ (15)	\$ 403
	\$ (15)	\$ 403

(b) Balance Sheet

As at December 31, 2013, future income tax assets of \$1,160 (2012 – \$2,843) have been recorded in the accounts using blended income tax rates expected at the time of reversal. As prescribed by regulatory rate orders, income tax expense is recovered from customers through the rate-making process based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to timing differences between the tax basis of assets and liabilities, and their carrying amounts for accounting purposes.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

6. Long-term debt

	2013	2012
Sun Life Assurance Company of Canada 4.993% unsecured promissory note, interest payable quarterly and maturing November 2020	\$ 35,000	\$ 35,000

Interest expense for the year:

	2013	2012
Sun Life Assurance Company of Canada	\$ 1,737	\$ 1,737

7. Pension and other post-employment benefits

(a) Pensions

During 2013, the Company made pension contributions of \$857 (2012 – \$711).

(b) Other post-retirement benefits

The Company pays certain health, dental and life insurance benefits on behalf of its retired employees.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

7. Pension and other post-employment benefits (continued)

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2013	2012
Discount rate	4.40%	3.75%
Future general salary and wage levels increase	3.30%	3.30%
Future general inflation increase (CPI)	2.00%	2.00%
Dental costs increase	CPI rate plus a further 3% increase in 2013 through to 2019 and thereafter	
Medical costs increase	CPI rate plus a further 5.63% increase in 2013; graded down to 3% in 2019 and thereafter	

The amounts presented are based upon an extrapolation performed as at December 31, 2013 on January 11, 2014. The next valuation is expected to be performed for the year ending December 31, 2014.

Continuity of employees' future benefit liability:

	2013	2012
Balance, beginning of year	\$ 2,135	\$ 2,037
Current service cost	75	40
Interest cost	87	99
Actuarial (gain) loss	(42)	98
Benefits paid	(129)	(139)
	\$ 2,126	\$ 2,135



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

7. Pension and other post-employment benefits (continued)

(b) Other post-retirement benefits

Reconciliation of accrued benefit obligation:

	2013	2012
Accrued benefit obligation (ABO)	\$ 1,917	\$ 2,319
Unfunded ABO	(1,917)	(2,319)
Unrecognized (gain) loss	(209)	184
Accrued benefit liability	\$ (2,126)	\$ (2,135)

8. Related party transactions

Intercompany debt comprises:

	2013	2012
Township of North Dumfries 4.993% unsecured promissory note, interest payable quarterly, principal due on two months demand notice and payable to related party	\$ 3,020	\$ 3,020
Energy Plus intercompany loan	3,667	\$ 3,720
	\$ 6,687	\$ 6,740

(a) Township of North Dumfries

During the year, interest of \$151 (2012 - \$151) was paid to Township of North Dumfries.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

8. Related party transactions (Continued)

(b) Cambridge and North Dumfries Energy Plus Inc.

During the year, interest of \$152 (2012 - \$51) was paid to Energy Plus on the intercompany loan.

The Company provided the following services to Energy Plus during the year:

	2013	2012
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 6	\$ 6

(c) The Company provided the following goods and services to Cambridge and North Dumfries Energy Solutions Inc., an unregulated wholly-owned subsidiary company of Energy Plus:

	2013	2012
Maintenance of street lights	\$ 276	\$ 353
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 12	\$ 12

9. Capital stock

	2013	2012
Authorized		
Unlimited common shares		
Issued		
1,001 common shares	\$ 38,224	\$ 38,224

10. Dividends

In 2013, the Company declared and paid a dividend to its shareholders in the amount of \$2,621 (2012 – \$2,948).



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

11. Net change in non-cash operating working capital

	2013	2012
Accounts receivable	\$ (4)	\$ 306
Unbilled revenue	(5,532)	(2,895)
Inventories	353	(970)
Prepaid expense	(264)	(131)
Payment in lieu of corporate income taxes	617	(1,189)
Regulatory assets	988	(4,130)
Accounts payable and accrued liabilities	4,671	(661)
Customer deposits	(1,035)	3,116
Regulatory liabilities	4,229	1,565
	\$ 4,023	\$ (4,989)

12. Energy purchases

As a participant in the competitive electricity market, all electricity purchases for standard supply customers are subject to pricing calculated by the Ontario's Independent Electricity System Operator ["IESO"], a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2013 is \$11,493 (2012 – \$9,220) owed in respect of electricity purchases through the IESO.

13. Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, cash and cash equivalents held for consumer deposits, accounts payable and accrued liabilities, advance payments and amounts due to and from related parties approximate fair values because of the short maturity of these instruments.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

14. Commitments

Letter of Credit

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on this security if the Company failed to make payment required by a default notice issued by the IESO. The Company has posted a letter of credit as security in the amount of \$20,378 (2012 – \$20,378).

Operating Lease

The Company has entered into an operating lease for office space which expires in 2017. The minimum annual lease payments required under the lease agreement are as follows:

2014	\$	51
2015		51
2016		51
Thereafter		9
	\$	162

15. Emerging Accounting Changes

(a) International Financial Reporting Standards

Publicly accountable enterprises in Canada were required to adopt International Financial Reporting Standards ["IFRS"] in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2011.

The Accounting Standards Board has provided entities subject to rate regulation an optional deferral up to January 1, 2015 for the implementation of IFRS. The Company has elected to defer its adoption of IFRS and continues to prepare its financial statements in accordance with Part V of the CPA Handbook re: Accounting for rate regulated activities under IFRS (provided).



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)

(In thousands of dollars)

Year Ended December 31, 2013

15. Emerging Accounting Changes (Continued)

(b) Accounting for rate regulated activities under IFRS

The International Accounting Standards Board ("IASB") has approved IFRS 14 *Regulatory Deferral Accounts* in January 2014. This standard provides specific guidance on accounting for the effects of rate regulation and permits first-time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. Adoption of this standard is optional for entities eligible to use it. Deferral account balances and movements in the balances will be required to be presented as separate line items on the face of the financial statements distinguished from assets, liabilities, income and expenses that are recognised in accordance with other IFRSs. Extensive disclosures will be required to enable users of the financial statements to understand the features and nature of and risks associated with rate regulation and the effect of rate regulation on the entity's financial position, performance and cash flows.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Corporate Directory
Year Ended December 31, 2013

Directors

Charles Cipolla, Chair	Doug Craig
Steven McCartney, Vice Chair	Martyn Champ
Ian Miles	Robert Deutschmann
Dr. John Tibbits	Steven McCartney
Derek Hamilton	

Management

Ian Miles	President and CEO
Jeffery Brown, P.Eng	Vice President, Operations
Jane Hale-McDonald, CHRP, ARD	Vice President, Human Resources
Sarah Hughes, CPA, CA	Chief Financial Officer
Michael Knox	Vice President, Customer Information Services and Conservation
Paul Martinello	Vice President, Information Technology Services
Barbara Shortreed, B.Econ	Vice President, Customer Care and Communications
Ron Sinclair, P.Eng	Vice President, Engineering

Bank

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15 Sheldon Drive
Cambridge, Ontario

Lawyers

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Auditors

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Waterloo, Ontario