Festival Hydro Inc.

File Number: EB-2014-0073

Date Filed: May 29, 2014

Exhibit 4

OPERATING COSTS

File Number: EB-2014-0073

Date Filed: May 29, 2014

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Overview

Overview

The 2015 Rebasing Application represents an increase of $193k in OM&A (including taxes other than income taxes) over the last year of actual financial results, being the 2013 actuals. This increase is the result of new operating costs relating to the transformer station, labour cost increases over the bridge and test year, OMERS and benefits expense projected increases, material inflationary cost increases, and collection cost increases. These cost increases are offset by savings of PST no longer booked to P&L, and operational savings from fleet and substations. Note that Festival's materiality threshold for this application is estimated at approximately $59K as documented in E1/T5/S1.

1.0 Background:

A fundamental goal of a Cost of Service application is to provide an opportunity for a regulated utility to demonstrate that the operating costs that it is seeking to recover in rates are prudently incurred and are necessary for providing safe, reliable service to its customers while meeting all of its business, regulatory and legislated obligations. Although there is no guarantee that a utility will recover all of the costs claimed, the integrity of the regulatory process requires that each utility be provided the opportunity through a Cost of Service application to establish rates that reflect all of its costs of doing business.

In fact, when the OEB carried out a review of the natural gas industry in 2005, the Board concluded that a Cost of Service Application plays a valuable role in an Incentive Rate Making environment. At page 25 of the Board Report entitled "Natural Gas Regulation in Ontario: A Renewed Policy Framework", dated March 30, 2005 the Board concluded *"Each IR Plan must begin with a robust set of cost-based rates, based on a thorough and transparent review".* A Cost of Service review following an IR Plan is valuable to ensure customers receive the benefit of efficiencies realized during the IRM period, but it is also valuable to utilities that their Cost of Service rates going into an IR plan properly and accurately capture the cost of doing business.

This Manager's Summary provides the context for the amount of OM&A claimed for recovery through this 2015 Rebasing Application.

2.0 OM&A Test Year Levels

Many LDCs in Ontario work to realize economies of scope through activities permitted within the distribution company (billable work on distribution assets paid directly by customers) and by sharing employees and assets with affiliates. The result is that the Gross OM&A claimed for recovery is reduced to a net amount remaining to be collected from customers through distribution rates.

The total net amount claimed for OM&A in the 2015 Test Year is $5.1M. The amount claimed in the Test Year includes assumed inflation factors. Salaries and wages have been increased over 2013 levels plus projected 2014 levels. Festival's Collective Agreement is in the process of being renegotiated with an effective date of May 1, 2014 anticipated. A 2.5% increase has been assumed for all union and non-union employees in both the bridge year and the test year. All other remaining costs have been budgeted based on individual consideration of each cost item and the projected future cost of that specific item, or a forecasted inflationary increases of 2.0% where appropriate. The principle of forecasting cost changes applies to progression increases in pay for staff, contracted services, fuel, energy, insurance costs, software maintenance fees, etc.

Festival has many staff that performs both capital and OM&A activities. Allocation of time between the two categories depends on planned work for the year, inclement weather (storms), and outages. A primary driver of the variance in OM&A in any given year relates to the level of costs capitalized or reallocated. In effect, therefore, the level of capitalization and re-allocation of costs is a significant and material contributor to cost efficiencies for Festival. One of the purposes of an IRM Regime is to encourage LDCs to realize savings during the IRM period with the consequence that the Board will then build those savings into the COS Rates that follow to the extent the efficiencies are sustainable.

It is important, therefore, to include a discussion of the efficiencies that have been realized in recent years and are therefore embedded in Festival's 2015 Test Year which can be described as follows:

- **Economies of Scope**: Certain Festival staff members have responsibilities for both distribution and non-core distribution activities. When those staff members are doing work other than distribution, their costs are reallocated to either non-utility accounts or allocated to affiliates.

- **Operational Efficiencies:** As noted in the cost driver detailed table (OEB appendix 2-JB) as well as in the distribution system plan, Festival has continued the movement towards cost savings as a result of operational changes. Various cost drivers highlighted in appendix 2-JB in the bridge and test year include savings on fleet costs as a result of the implementation of a fleet management plan. In addition – there are noted cost savings related to building maintenance and substation costs.

In submitting the level of OM&A included in the 2015 Test Year, Festival has included efficiencies that we intend to demonstrate are sustainable. The ability to sustain those efficiencies depends upon several factors, some of which are outside of the control of the utility. First, the approval of the 2015 Capital Budget submitted with this application, which includes the level of capitalized labour. Second, the ability to demonstrate that the level of capital proposed in 2014 and 2015 can be achieved by the utility with the proposed staff levels. Third, the level of activity and the relationship between Festival and its affiliates continues as proposed in this application. In the event of a change to any of these assumptions in the Test year that are known prior to, or as part of this approval, then the consequence may be an increase in the level of OM&A to be claimed for recovery through rates.

3.0 The Increase in OM&A from 2013 Historic Year to 2015 Test Year

In assessing the reasonableness and prudency of a utility's OM&A claim, it is instructive to compare the Test Year to the most recent year of actuals. There is an implied prudence to spending by a utility during an IRM period.

This 2015 COS Application will capture efficiencies realized by the utility since 2010, but it must also ensure that the cost savings claimed are sustainable. In addition, the amount claimed must account for new obligations imposed upon the utility and those costs beyond the control of utility management. If a blanket inflation factor were to be applied, without consideration of new cost drivers, the resulting rate might hinder the ability of a utility to maintain its system and provide the level of service required by the OEB and expected by its customers.

With that context in mind, the OM&A for the 2015 Test Year can be described as being based on the OM&A for 2013 actuals plus the following extraordinary cost items:

- The introduction of transformer station maintenance costs
- Increases in OMERS rates that are beyond the control of management, over the period from 2013 to 2015;
- Net Incremental OM&A related to Smart Meters (incremental cost of automated meter reads and software maintenance fees) which until 2013 have been recorded in the USoA 1556 deferral variance account; and
- An estimate of outside union contractual agreement expected to be signed in May of 2014 considering parity of wages and benefits with neighbouring utilities.
- Accounting policy changes required by the regulatory effective January 1, 2013

4.0 Business Environment Changes

Since the transition from a public utility commission to a company operating in a deregulated electricity environment, Festival has been subject to significant and consistent change. This section will introduce some major drivers of change to our current business environment, namely Smart Meters, and Industry Renewal.

Smart Meters represented the single biggest capital project in the history of Festival (prior to the transformer station build) and placed significant demands on the utility's resources and employees. Growth in the information technology department can be linked to the implementation of smart meters. New services being managed through IT as a result of smart meters are impacting OM&A costs.

We have faced numerous changes leading up to the 2015 Test Year including the *Green Energy and Green Economy Act*, ESA regulation, and Smart Meters. In addition, recent changes include regulatory industry reform due to the Renewed Regulatory Framework for Electricity and the recommendations of the Distribution Sector Review Panel. Second, renewal of distribution infrastructure as we focus as a utility on the Asset Management Plan developed.

5.0 Other Matters

Other matters addressed in this Exhibit on Operating Expenses include the following:

- E4/T3 contains the discussion of purchases from non-affiliated companies, and includes a copy of Festival's purchasing policy.
- E4/T4 contains a discussion of Depreciation and Amortization, wherein Festival confirms we are within the range of the useful lives contained in the Kinetrics Study.
- E4/T5 contains the discussion of Payments in Lieu of Taxes (PILs) and Capital Taxes, including an overview of the provision for PILs.

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Summary and Cost Driver Tables

Summary and Cost Driver Tables

The following is a description of the primary cost drivers that have influenced Festival's OM&A expenditures since our last rebasing application in 2010.

Appendix 2-JA, 2-JB, 2-L, and 2-DA have been included below and summarize the following:

- 2-JA summarizes recoverable OM&A expenses for the 2010 Board approved year through to the 2015 test year.
- 2-JB summarizes the material OM&A cost drivers, common cost drivers or recurring expenditures that have impacted multiple years for the 2010 board approved year through to the 2015 test year.
- 2-L summarizes recoverable OM&A cost per customer and per FTE for the 2010 board approved year through to the 2015 test year. Customer numbers for historical years are consistent with the OEB Annual Yearbook for 2010 through to 2012 in which the OM&A per customer is calculated for Festival based on the customer numbers at the end of each year. The 2013 through 2015 figures are based on the forecasted customer numbers at the end of those years. The definition of an FTE is as described in E4/T2/S2.
- 2-DA summarizes changes to OM&A as a result of accounting policy changes required (beginning January 1, 2013) to overhead capitalization policies to ensure the policies being used are IFRS compliant in preparation for IFRS conversion in 2015. These policy changes were mandated by the Ontario Energy Board and were required to be implemented effective January 1, 2013. 2-DA summarizes the impact of these policy changes not only in 2013 – but in the bridge year (2014) and the test year (2015).

Festival Cost Driver Descriptions:

Highlighted below are the material cost drivers identified in table 2-JB along with a description of the reason for the cost driver in the particular year. Note that table 2-JB includes other cost drivers that are not specifically discussed below as they are immaterial (based on a materiality level of $59K as documented in E1/T5/S1) but they were included in the table for consistency purposes.

2010 Board approved OM&A expenses compared to 2010 Actual OM&A Expenses

The only material cost driver from the 2010 Board approved figures to the 2010 actual figures was the special purpose charge that was charged to OM&A in 2010 but was not included in the 2010 Board approved figures. The special purpose charge was introduced by the Ontario Energy Board to enable the recovery of the expenses incurred and the expenditures made by the Ministry of Energy and Infrastructure in respect of its energy conservation programs or renewable energy programs.

2011 Actual compared to 2010 Actual OM&A Expenses

- The special purpose charge of $114K is considered a negative cost driver in 2011 as it was included in the 2010 actual OM&A total, however was not incurred again in 2011 as this was a short term expense.
- Future benefit costs were a cost savings in 2011 of $104K as a result of the actuarial valuation.
- OMERS premiums were a cost driver of $54K in 2011 over 2010. The OMERS premium rates have increased since 2010 as identified in the table below. In addition – fluctuations in labour costs, with minimal fluctuation in FTE's, have impacted the OMERS premiums paid by the company.

OMERS Premium Rates					
Year	YMPE	YMPE Below	YMPE Above	Employer Portion	Increase
2010	$ 47,200	6.4%	9.7%	229,589	
2011	$ 48,300	7.4%	10.7%	283,278	53,689
2012	$ 50,100	8.3%	12.8%	337,758	54,480
2013	$ 51,100	9.0%	14.6%	384,664	46,906
2014	$ 52,122	9.0%	14.6%	394,910	10,246
2015 (Estimate)	$ 52,122	9.70%	15.8%	401,451	6,541

- Inflationary increases in labour is a cost driver of $65K in 2011 over 2010. This is the result of a 3% increase that was agreed to in the union contract for 2011, and was also approved for all other Festival staff for the year.
- The cost of new hires was a cost driver in 2011 of $121K. This $121K increase in cost is the result of the hiring of a new IT resource in July of 2010 – with a full year of salary in 2011, a new IT resource hired in May of 2011, as well as a VP engineering and operations hired in May 2011. The first IT resource was added to help with the implementation and operation of smart meters and the changes required to internal processes, as well as to implement an overall corporate strategy to improve technical infrastructure and systems at Festival. A second IT resource was hired in 2011 as the result of the resignation of the IT manager as noted in the resignation cost driver below. The hiring of a VP of engineering and operations was the result of the previous VP moving into the role of Chief Operating Officer with the responsibility of managing the transformer station construction and implementation.
- Resignations/terminations were a negative cost driver in 2011 of $122K. This cost driver represents the portion of wages not paid to a lineman that resigned in mid-2010, as well as a lineman that resigned in early 2011. As noted above – the IT manager also resigned in early 2011.
- The cost of a contracted resource for IT in 2011 of $52K was another cost driver for that year. This service was contracted to aid in the work in the IT area as a relatively new hire from 2010 assumed the role of IT manager given the resignation of the existing IT manager as noted above.

2012 Actual compared to 2011 Actual OM&A Expenses

- Future benefit costs were a cost driver in 2012 of $112K as a result of the actuarial valuation.
- OMERS premiums were a cost driver in 2012 of $54K due to the factors indicated in the 2011 cost analysis
- Inflationary increases in labour were a cost driver in 2012 of $68K as a result of a 3% labour rate increase approved as per the union agreement, and the approval of this same 3% increase in the year for all other staff and managers.
- New hires were a cost driver in 2012 of $202K as the result of the hiring of the new IT resource in mid 2011, which had a full year's salary in 2012 causing the driver. In addition – the driver is increased by the hiring of the VP engineering and operations mid 2011, with a full year's salary included in 2012. An accounting clerk was also hired in mid 2012 to aid in the volume of work performed by the accounting department. In addition, the IT subcontract that was contracted in 2011 to help with IT department projects was hired on full time in mid 2012.
- The retirement of a customer service staff member late in 2011 resulted in a cost savings of labour and benefits and other related employee costs of $68K in 2012.
- Smart meter expenses were a cost driver to 2012 OM&A as a result of the approval of our smart meter application by the OEB in September of 2012 which required Festival to dispose from variance accounts the accumulation of costs relating to smart meters and flow them through the proper general ledger accounts in the year. The accumulation of smart meter OM&A costs from the onset of the project was $546K all of which were moved from a variance account in 2012 and booked directly to OM&A accounts and as such created a cost driver in that year.
- There was a decrease in meter reading expenses in 2012 as the result of smart meter reads being sent electronically via Festival's backhaul service. This was a cost savings of $84K in 2012.

2013 Actual compared to 2012 Actual OM&A Expenses

- Future benefit costs were a cost savings in 2013 of $78K as a result of the actuarial valuation.
- The labour and benefit cost of new hires in 2013 resulted in a cost driver of $136K. This cost driver resulted from the hiring of an accounting clerk in mid 2012, the IT technician in mid 2012, an engineering technician mid 2013, a customer service secretary in mid 2013 (retirement replacement), and a cashier in the last part of 2013 (replacing a retirement). The new position of engineering technician was put in place to aid in the volume of engineering work and to train a new staff member in anticipation of upcoming retirements in the department.
- The smart meter disposition costs of $546K were a one-time charge that created a cost driver in 2012 and a cost savings in 2013. New ongoing operating costs as a result of smart meters are considered below.
- A cost driver of $299K has been included in 2013 to represent the impact on OM&A costs as a result of accounting policy changes that disallow the capitalization of various overhead charges. As a result – these costs are included in OM&A. Note that these policy changes are the same as documented elsewhere in the application – as required by the OEB effective January 1, 2013 to get capitalization and overhead policies of LDC's in line with IFRS requirements.
- A cost savings of $133K has been identified for 2013 as a result of required accounting policy changes to depreciation useful lives. As part of Festival's preparation for conversion to IFRS, and the OEB's requirement that revised depreciation policies be implemented in 2013, Festival analyzed and increased the useful life of our fleet. As such – allocated depreciation expense included in OM&A was reduced in 2013.
- $163K is the identified cost driver for a full year of new costs incurred as the result of the implementation of smart meters. These costs include smart meter data backhaul charges, web presentment charges, operating demand system services required for MDM/R billing, subcontracted services for management of AMI/MDMR & ODS issues and meter exchanges etc. The $163K also includes the cost of Festival's AMCC which is the head end system that reads all of our smart meters.

- A cost driver of $79K relating to the transition from PST/GST to HST was also recognized in 2013. This $79K represents PST charges that Festival claimed back as investment tax credits through the harmonized sales tax regime, however were costs that Festival had approved in previous rate filings based on the old tax regime and therefore were included in Festival's rates. Note that the $79K booked to OM&A expense in 2013 actually represents the PST costs accumulated for 2011, 2012, and 2013 (2010 costs were accurately booked in 2010). The amounts were not booked from the balance sheet to OM&A in 2011 and 2012 in error and were trued up in 2013 resulting in the $79K addition to OM&A.

2014 Bridge Year Costs compared to 2013 Actual OM&A Expenses

- Labour inflationary increases have been considered in 2014 and represent a cost driver in the projected expenses of $71K which considers inflationary increases on average of 2.25% for all employees, as well as the various changes in labour and benefit costs documented below.
- The increased cost of new hires in OM&A in 2014 is projected at $70K and represents the three positions hired part way through 2013 and the resulting increase in labour as a result of having these hires for a full twelve months in 2014 (includes the engineering technician, the customer service secretary, and the cashier).
- The cost savings in OM&A as a result of retirements in 2014 is estimated at $415K. The costs savings are the result of the retirement of the president of Festival in the first quarter of 2014, the retirement of the operations manager of Festival and two linemen (one actual retirement, and one movement to a management position) in the second and third quarters of 2014, and the retirement of a billing clerk in 2013 (replaced internally and then the position of billing secretary replaced externally), and the retirement of the cashier in 2013 – with the 2013 retirements impacting 2014 as the result of the wages and benefits for these positions not being there for the full year. Note that if they were replaced – replacements were considered in the new hires section.
- An additional cost driver has been identified in 2014 of $195K which represents the inclusion in OM&A of labour costs of the portion of time the existing chief operating

officer and VP of engineering and operations had been spending in prior years on transformer station capital work as well as conservation initiatives.

- A cost driver of $112K has been identified in 2014 based on the projected cost to move a lineman into the operations manager position and therefore have less of his wage and benefits capitalized to planned capital projects. The offset of this cost driver is included in the $415K retirement line.
- The PST amount of $79K expensed in 2013, is represented as a cost savings in 2014 in the cost driver table given that it is not an ongoing cost that will be incurred.

2015 Test Year Costs compared to 2014 Bridge Year OM&A Expenses

- Inflationary increases on labour and benefits have been included at a rate of 2.25% and have considered projected movements in labour and benefit costs for the year. These inflationary increases represent a projected OM&A cost driver for our test year of $73K.
- Cost savings due to retirements are projected for 2015 at $129K. These savings represent the remaining portion of labour not paid in 2015 for the positions of president, operations manager, and lineman that were identified in 2014 as retirements.
- Operating costs for the transformer station have been projected as a cost driver in 2015 at $140K. The costs considered in this estimate include 24/7 monitoring by a third party, weekly and monthly inspections, and preventative maintenance ($50K), property taxes ($78K), and increased insurance costs ($12K). While the operating costs relating to the transformer station are a direct increase to OM&A spending in our test year, it should be noted that customers will save approximately $475K in annual network connection costs as we will be supplying approximately 20 MW of existing load from the new transformer station. In addition, customers should see a decrease in transmission rates going forward as a result of Festival supplying all new load from the new transformer station. Both of these will mitigate the impact of the increased OM&A expenditure relating to the transformer station.

In summary Festival would like to highlight that while there has been significant movement within the organization and hiring externally to fill positions, as well as to create new positions – OEB appendix 2-L does indicate the overall headcount is projected at 45 for our test year, the same headcount as approved in our 2010 application. Headcount increased in 2012 and 2013 as result of succession planning and the timing of new hires and retirements to facilitate information transfer.

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OEB Appendix 2-JA

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Schedule:	1
Attachment:	1
Date:	25-Apr-14

Appendix 2-JA
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010 Actuals)	2011 Actuals	2012 Actuals	2013 Draft Actuals	2014 Bridge Year	2015 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Operations	$ 658,190	$ 574,450	$ 616,923	$ 660,638	$ 748,926	$ 783,503	$ 924,800
Maintenance	$ 787,807	$ 872,068	$ 922,897	$ 1,541,600	$ 1,279,121	$ 1,205,307	$ 1,217,987
SubTotal	**$ 1,445,997**	**$ 1,446,518**	**$ 1,539,820**	**$ 2,202,238**	**$ 2,028,047**	**$ 1,988,810**	**$ 2,142,787**
%Change (year over year)			6.5%	43.0%	-7.9%	-1.9%	7.7%
%Change (Test Year vs Last Rebasing Year - Actual)						37.5%	48.1%
Billing and Collecting	$ 1,005,013	$ 866,998	$ 936,527	$ 893,996	$ 1,210,565	$ 1,195,792	$ 1,212,817
Community Relations	$ 42,930	$ 16,223	$ 15,232	$ 11,931	$ 6,777	$ 10,965	$ 11,249
Administrative and General	$ 1,486,736	$ 1,710,120	$ 1,511,205	$ 1,631,338	$ 1,705,519	$ 1,820,837	$ 1,777,398
SubTotal	**$ 2,534,679**	**$ 2,593,341**	**$ 2,462,964**	**$ 2,537,265**	**$ 2,922,861**	**$ 3,027,594**	**$ 3,001,464**
%Change (year over year)			-5.0%	3.0%	15.2%	3.6%	-0.9%
%Change (Test Year vs Last Rebasing Year - Actual)						16.7%	15.7%
Total	**$ 3,980,676**	**$ 4,039,859**	**$ 4,002,784**	**$ 4,739,503**	**$ 4,950,908**	**$ 5,016,404**	**$ 5,144,251**
%Change (year over year)			-0.9%	18.4%	4.5%	1.3%	2.5%

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010 Actuals)	2011 Actuals	2012 Actuals	2013 Draft Actuals	2014 Bridge Year	2015 Test Year
Operations	$ 658,190	$ 574,450	$ 616,923	$ 660,638	$ 748,926	$ 783,503	$ 924,800
Maintenance	$ 787,807	$ 872,068	$ 922,897	$ 1,541,600	$ 1,279,121	$ 1,205,307	$ 1,217,987
Billing and Collecting	$ 1,005,013	$ 866,998	$ 936,527	$ 893,996	$ 1,210,565	$ 1,195,792	$ 1,212,817
Community Relations	$ 42,930	$ 16,223	$ 15,232	$ 11,931	$ 6,777	$ 10,965	$ 11,249
Administrative and General	$ 1,486,736	$ 1,710,120	$ 1,511,205	$ 1,631,338	$ 1,705,519	$ 1,820,837	$ 1,777,398
Total	**$ 3,980,676**	**$ 4,039,859**	**$ 4,002,784**	**$ 4,739,503**	**$ 4,950,908**	**$ 5,016,404**	**$ 5,144,251**
%Change (year over year)			-0.9%	18.4%	4.5%	1.3%	2.5%

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010 Actuals)	Variance 2010 BA – 2010 Actuals	2011 Actuals	Variance 2011 Actuals vs. 2010 Actuals	2012 Actuals	Variance 2012 Actuals vs. 2011 Actuals	2013 Draft Actuals	Variance 2013 Draft Actuals vs. 2012 Actuals	2014 Bridge Year	Variance 2014 Bridge vs. 2013 Draft Actuals	2015 Test Year	Variance 2015 Test Year vs. 2014 Bridge Year
Operations	$ 658,190	$ 574,450	$ 83,740	$ 616,923	$ 42,473	$ 660,638	$ 43,715	$ 748,926	$ 88,288	$ 783,503	$ 34,577	$ 924,800	$ 141,297
Maintenance	$ 787,807	$ 872,068	-$ 84,261	$ 922,897	$ 50,829	$ 1,541,600	$ 618,703	$ 1,279,121	-$ 262,479	$ 1,205,307	-$ 73,814	$ 1,217,987	$ 12,680
Billing and Collecting	$ 1,005,013	$ 866,998	$ 138,015	$ 936,527	$ 69,529	$ 893,996	-$ 42,531	$ 1,210,565	$ 316,569	$ 1,195,792	-$ 14,773	$ 1,212,817	$ 17,025
Community Relations	$ 42,930	$ 16,223	$ 26,707	$ 15,232	-$ 991	$ 11,931	-$ 3,301	$ 6,777	-$ 5,154	$ 10,965	$ 4,188	$ 11,249	$ 284
Administrative and General	$ 1,486,736	$ 1,710,120	-$ 223,384	$ 1,511,205	-$ 198,915	$ 1,631,338	$ 120,133	$ 1,705,519	$ 74,181	$ 1,820,837	$ 115,318	$ 1,777,398	-$ 43,439
Total OM&A Expenses	$ 3,980,676	$ 4,039,859	-$ 59,183	$ 4,002,784	-$ 37,075	$ 4,739,503	$ 736,719	$ 4,950,908	$ 211,405	$ 5,016,404	$ 65,496	$ 5,144,251	$ 127,847
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)													
Total Recoverable OM&A Expenses	$ 3,980,676	$ 4,039,859	-$ 59,183	$ 4,002,784	-$ 37,075	$ 4,739,503	$ 736,719	$ 4,950,908	$ 211,405	$ 5,016,404	$ 65,496	$ 5,144,251	$ 127,847

Variance from previous year		-$ 37,075	$ 736,719	$ 211,405	$ 65,496	$ 127,847	
Percent change (year over year)		-1%	18%	4%	1%	3%	
Percent Change: Test year vs. Most Current Actual			5.84%				
Simple average of % variance for all years			24.17%			5.82%	5.16%
Compound Annual Growth Rate for all years						4.43%	4.95%
Compound Growth Rate (2012 Actuals vs. 2010 Actuals)			5.47%				

Note:

1 "BA" = Board-Approved
2 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
3 Recoverable OM&A that is included on these tables should be identical to the recoverable OM&A that is shown for the corresponding periods on Appendix 2-JB.

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OEB Appendix 2-JB

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Date:	25-Apr-14

Appendix 2-JB
Recoverable OM&A Cost Driver Table

OM&A	Last Rebasing Year (2010 Actuals)	2011 Actuals	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Opening Balance	$ 3,980,676	$ 4,039,859	$ 4,002,784	$ 4,739,503	$ 4,950,908	$ 5,016,404
Special purpose charge	$ 114,813	-$ 114,813				
Change in future benefit expense		-$ 104,326	$ 112,148	-$ 78,450		
OMERS premiums		$ 53,689	$ 54,480	$ 46,906	$ 10,246	$ 6,541
Change in overtime and doubletime charged to OM&A		$ 17,583	-$ 11,611	$ 48,756	$ 6,292	-$ 1,083
Labour - inflationary increases		$ 65,465	$ 67,680	$ 45,118	$ 71,000	$ 73,000
Labour - storm damage		$ -	$ -	$ 47,996	$ -	$ -
Labour - new hires		$ 121,474	$ 201,564	$ 136,073	$ 69,886	$ -
Labour - grid movements		$ 18,874	$ 2,275	$ 694	$ 31,000	$ 28,000
Labour- resignations/terminations		-$ 122,084	-$ 48,898		$ -	$ -
Labour - retirements		-$ 6,141	-$ 67,541	-$ 42,366	-$ 415,000	-$ 129,000
Labour - allocated time from TS project and CDM					$ 195,000	$ 12,000
Labour - Staff movement causing more labour in OM&A (lineman taking management position)					$ 112,000	$ 5,000
Increase/(Decrease) in inventory - wire & vehicle parts				$ 41,535		$ 17,000
Increase in inventory - storm damage				$ 7,659		
Contracted services - IT resource		$ 52,020	-$ 14,687			
Smart meters			$ 546,293	-$ 546,293		
Meter Reading Charges			-$ 83,531			
Increase in insurance costs				$ 19,393		
Overhead policy change - what is in OM&A that would've been included elsewhere under old policies				$ 298,746		
Allocated depreciation on trucks - portion of VR account that would've been allocated to OM&A under old policies				-$ 133,302		
New operating costs due to smart meter implementation			$ 35,283	$ 162,842		
Humphrey - service for full year				$ 16,357		
Trucking - storm damage				$ 14,350		
PST expenses for 2011, 2012, 2013 booked from variance account in 2013				$ 79,393	-$ 79,393	
Recruitment costs					$ 45,000	-$ 45,000
Computer expenses					$ 44,000	-$ 39,000
TS operating costs						$ 140,000
Regulatory costs					-$ 19,000	$ 17,700
Bad debt expense						$ 13,000
Substantion costs					-$ 10,000	-$ 2,000
OM&A savings - reduction in fleet					-$ 7,000	-$ 7,000
OM&A savings - building maintenance						-$ 8,000
Other immaterial items	-$ 55,630	-$ 18,816	-$ 56,736	$ 45,998	$ 11,465	$ 46,689
Closing Balance	$ 4,039,859	$ 4,002,784	$ 4,739,503	$ 4,950,908	$ 5,016,404	$ 5,144,251
	4,039,859	4,002,784	4,739,503	4,950,908	5,016,404	5,144,251
Notes:	$ -	$ 0	$ 0	$ 0	$ 0	-$ 0

1 For each year, a detailed explanation for each cost driver and associated amount is required in Exhibit 4.

2 For purposes of assessing incremental cost drivers, the closing balance for each year

3 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a

4 Opening Balance for "Last Rebasing Year" (cell B15) should be equal to the Board-Approved amount.

Attachment 3 of 4

OEB Appendix 2-L

File Number:	EB 2014 0073
Exhibit:	4
Tab:	2
Schedule:	1
Attachment:	3
Date:	25-Apr-14

Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE

	Last Rebasing Year - 2010- Board Approved	Last Rebasing Year - 2010- Actual	2011 Actuals	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Bridge Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Number of Customers	19,828	19,647	19,832	20,069	20,210	20,381	20,554
Total Recoverable OM&A from Appendix 2-JB	$ 3,980,676	$ 4,039,859	$ 4,002,784	$ 4,739,503	$ 4,950,908	$ 5,016,404	$ 5,144,251
OM&A cost per customer	$ 200.76	$ 205.62	$ 201.83	$ 236.16	$ 244.97		$ 250.28
Number of FTEs	45	47	45	47	47	45	45
Customers/FTEs	441	418	441	427	430	453	457
OM&A Cost per FTE	$ 88,459.47	$ 85,954.45	$ 88,950.76	$ 100,840.50	$ 105,338.48	$ 111,475.65	$ 114,316.69

Notes:

1. If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
2. The method of calculating the number of customers must be identified.
3. The method of calculating the number of FTEs must be identified. See also Appendix 2-K
4. The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.

Attachment 4 of 4

OEB Appendix 2-DA/DB

File Number:	EB 2014 0073
Exhibit:	4
Tab:	2
Schedule:	1
Attachment:	4
Date:	25-Apr-14

Appendix 2-DA
Overhead Expense

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include overhead costs that are currently capitalized on self-constructed assets under MIFRS.

	(A) [1]	(B)	(C)	(D)	(E) [1]	(F)	(G)
Nature of the Overhead Costs	**Dollar Impact on PP&E Historic Year**	**Dollar Impact on PP&E Bridge Year**	**Dollar Impact on PP&E Test Year**	**Dollar Impact - PP&E Variance Test versus Bridge**	**Dollar Impact - PP&E Variance Test versus Historic**	**Directly Attributable? (Y/N)**	**Reasons why the overhead costs are allowed to be capitalized under MIFRS or an alternate accounting standard given limitations on capitalized overhead**
employee benefits	$ 236,383	$ 242,293	$ 248,350	$ 6,057	$ 11,967	Y	
costs of site preparation	$ -			$ -	$ -		Specific site preparation costs would be capitalized to project, not through overhead application
initial delivery and handling costs	$ -			$ -	$ -		Specific delivery & handling costs would be capitalized directly
costs of testing whether the asset is functioning properly	$ -			$ -	$ -		Specific testing charges would be capitalized directly to capital
professional fees	$ -			$ -	$ -		Specific professional fees relating to a project would be capital
				$ -	$ -		
costs of opening a new facility	$ -			$ -	$ -		N/A
costs of introducing a new product or service (including costs of advertising and promotional activities)	$ -			$ -	$ -		N/A
costs of conducting business in a new location or with a new class of customer (including costs of staff training)	$ -			$ -	$ -		N/A
administration and other general overhead costs	$ -			$ -	$ -		N/A
Engineering overhead	$ 139,744	$ 143,238	$ 146,819	$ 3,581	$ 7,075	Y	
Supervision overhead	$ 74,084	$ 75,936	$ 77,835	$ 1,898	$ 3,751	Y	
Trucking allocation	$ 222,429	$ 222,429	$ 222,429	$ -	$ -	Y	
Insert description of additional item(s) and new rows if needed.				$ -	$ -		
Total	$ 672,640	$ 683,895	$ 695,432	$ 11,537	$ 22,792		

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include overhead costs that were capitalized on self-constructed assets under CGAAP but are no longer capitalized under MIFRS or an alternate accounting standard and are included in OM&A.

	(A) [1]	(B)	(C)	(D)	(E) [1]	(F)	(G)
Nature of the Overhead Costs	**Dollar Impact on OM&A Historic Year**	**Dollar Impact on OM&A Bridge Year**	**Dollar Impact on OM&A Test Year**	**Dollar Impact - OM&A Variance Test versus Bridge**	**Dollar Impact - OM&A Variance Test versus Historic**	**Directly Attributable? (Y/N)**	**Reasons why the overhead costs are not allowed to be capitalized under MIFRS or an alternate accounting standard given limitations on capitalized overhead**
employee benefits	$ -	$ -	$ -	$ -	$ -	Y	
costs of site preparation				$ -	$ -		Specific site preparation costs would be capitalized to project, not through overhead application
initial delivery and handling costs				$ -	$ -		Specific delivery & handling costs would be capitalized directly
costs of testing whether the asset is functioning properly				$ -	$ -		Specific testing charges would be capitalized directly to capital
professional fees				$ -	$ -		Specific professional fees relating to a project would be capital
costs of opening a new facility				$ -	$ -		N/A
costs of introducing a new product or service (including costs of advertising and				$ -	$ -		N/A
costs of conducting business in a new location or with a new class of customer				$ -	$ -		N/A
administration and other general overhead costs				$ -	$ -		N/A
Supervision overhead	$ 22,557	$ 14,885	$ 13,164	-$ 1,721	-$ 9,393	N	
Miscellaneous linemen costs including training	$ 89,504	$ 59,062	$ 52,235	-$ 6,827	-$ 37,269	N	
Stores allocation	$ 151,580	$ 100,025	$ 88,462	-$ 11,563	-$ 63,118	N	
Trucking allocation	-$ 9,328	-$ 6,155	-$ 5,444	$ 712	$ 3,884	N	
Total	$ 254,313	$ 167,816	$ 148,417	-$ 19,399	-$ 105,896		
		$ 167,816	$ 148,417				

Notes:

1 If the applicant chooses to adopt IFRS for financial reporting purposes in 2014, the applicant does not need to complete Columns A, E. If the applicant adopts IFRS for financial reporting purposes in 2012 or 2013, the applicant must complete all columns.

Exhibit 4

Tab 3 of 6

Program Delivery Costs with Variance Analysis

Program Delivery Costs with Variance Analysis

Overview

Festival determined the programs to be presented in this analysis based on significant activities performed within departments of the organization. All of these programs are considered in the budgeting process and as such they are reviewed at least quarterly by the senior management team through a budget to actual comparison of costs which is also presented to the Festival Board of Directors at a Board meeting.

A variance analysis has been performed below comparing the 2015 test year to the 2013 draft actual as well as the 2015 test year to the 2010 board approved figures. Variances greater than $50,000 have been documented below (materiality is documented in E1/T5/S1 at $59K).

Variance Analysis

2015 Test Year vs. 2013 Draft Actual

- Transformer station costs have been projected in the test year at $140K (as documented in the cost driver write up in E4/T2/S1). In 2013 all transformer costs – capital and operating were booked to a variance account as approved by the OEB based on Festival's incremental capital model submitted for the 2013 rate year.
- Overhead maintenance costs are projected to decrease in the 2015 test year by $75K as compared to the 2013 year. This decrease is as a result of no projection for storm costs included in the 2015 test year that were incurred in 2013 (when two ice storms impacted Festival's costs).
- Billing and settlement costs are projected to increase in the test year as compared to 2013 by $76K. This increase is the result of budgeted labour increases at 2.5%, and inflationary costs on other items at 2%. In addition, in 2013 Utilassist was hired for the last half of the year to provide services including all ODS operations and to assist billing, metering and I.T. with ODS related issues. They also resolve issues with the MDMR and our meter supplier, Trilliant, on behalf of Festival. In addition, Daffron support costs

are considered in 2015 at an increase of $22K. These costs are projected to increase because in the past Festival would often complete programming internally to meet the constant changes required to the CIS (for example Global Adjustment, RPP Variance, OCEB benefit). Recently Festival has started to migrate back to Daffron stock programming, in order to reduce the risk associated with staff turnover and having unsupported internally developed software. This is projected to cause an increase in the amount owing annually for software support.

- Collecting costs are projected to decrease by $77K when comparing the 2015 test year to the 2013 actual figures as a result of the internal reorganization moving the labour and benefit costs of the cashier from the Customer Service department to the Accounting department, as well as the inflationary impact of the movement of this position for 2014 and 2015.
- Unallocated costs are projected to increase $55K when comparing the 2015 test year to the 2013 actual. This increase is the result of the projected increase in labour costs and other inflationary increases in allocated OM&A expenses such as engineering, operations supervision and stores. The 2013 year already reflects the new overhead allocation policies which essentially allow fewer of these costs to be allocated to capital.

2015 Test Year vs. 2010 Board Approved

- Transformer station operating costs of $140K are new and were therefore not considered in Festival's 2010 Board approved figures as they are in our 2015 Test year figures.
- Overhead maintenance costs are projected to have a decrease of $71K when comparing 2015 test year figures to 2010 board approved figures. The 2015 test year figures have fully implemented the new overhead allocation policies. With the new overhead policies implemented in 2013, there were some allocated costs that could no longer be capitalized, and as such the allocation rule within the system was eliminated entirely given that the amounts would stay in the P&L. This impacted allocation of costs between OM&A buckets given that these allocated costs did not continue to follow labour charges on maintenance projects in addition to capital projects. The offset of

these reductions in the maintenance buckets can be seen in the unallocated costs further down in the table which have increased since the 2010 Board approved figures.

- Underground maintenance is projected to decrease $74K from the 2010 board approved amount for a similar reason as noted in the bullet above. Note that the 2013, 2014, and 2015 figures are similar when the overhead allocation policies are consistently applied.
- Meter expense is projected to increase $102K over 2010 board approved figures. This increase is partially the result of inflationary labour and material cost increases. This variance also appears to be the result of the 2010 board approved figure being $40K less than actual expenses in 2010. Festival's total actual OM&A in 2010 was very similar to the Board approved amount – however the allocation of costs between OM&A buckets was somewhat different. For example – actual meter expenses were $40K greater than board approved, but tree trimming costs were $50K less than the Board approved amount.
- Billing and settlement costs are projected to increase by $296K when comparing the 2015 test year to the 2010 board approved figure. This increase began in 2013 as the result of new operating costs required with the implementation of smart meters (approx $200K). In addition – billing and settlement programs have been impacted by the increased headcount within the IT department since 2010. While the IT department has grown by one headcount since the 2010 board approved figures, Festival's overall headcount has not increased – and therefore we have effectively reallocated some labour costs with this reorganization.
- Unallocated engineering, operations supervision, trucking costs, and stores costs have increased by $426K since the 2010 board approved figures. This figure has been impacted by the revision in overhead capitalization policies (impact of approximately $200K). In addition to less cost being allocated to capital – some of our allocations were eliminated entirely, and some were reduced in 2013 under our new policies. As such – allocations from this OM&A bucket to another OM&A bucket are also impacting this increase. Labour and material inflationary increases have also impacted the overall increase in cost since 2010.
- Customer care costs are projected at $50K less in the 2015 test year than the 2010 Board approved figure – but are very similar to 2010 actual costs for customer care.

- Training health and safety costs have increased $180K since 2010 board approved figures. This increase is the result of overhead capitalization policy changes where training is specifically prohibited from being capitalized. As such, all training costs are remaining in this program bucket of OM&A. Note that the 2015 cost is similar to the 2013 cost when the new policies came into effect.
- Miscellaneous office expenses are projected to increase $260K over 2010 board approved figures (approximately 3.9% per year), but only $30K over 2010 actual costs. As noted above – 2010 actual OM&A was very similar in total to 2010 Board approved OM&A – however, the cost allocation between OM&A programs varied slightly.

Note that the impact of the accounting policy changes required to prepare Festival for conversion to MIFRS reporting is summarized in E6/T1/S1.

Attachment 1 of 1

OEB Appendix 2-JC

File Number:	EB 2014 0073
Exhibit:	4
Tab:	3
Schedule:	1
Attachment:	1
Date:	25-Apr-14

Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010 Actuals)	2011 Actuals	2012 Actuals	2013 Draft Actuals	2014 Bridge Year	2015 Test Year	Variance (Test Year vs. 2013 Draft Actuals)	Variance (Test Year vs. Last Rebasing Year (2010 Board-Approved)
Reporting Basis									
Distribution Stations									
Labour		12,257	8,326	5,817	6,656				
Materials		4,946	4,914	1,873	2,397				
Outside Services		9,977	14,195	7,069	2,835				
Other costs		1,914	1,137	994	564				
Sub-Total	41,793	29,094	28,572	15,753	12,452	15,306	13,622	1,170	-28,171
Transformer Station									
Sub-Total						0	140,000	140,000	140,000
Overhead Maintenance									0
Labour		267,783	242,771	266,011	255,457				0
Materials		102,435	57,597	39,346	79,595				0
Outside Services		2,390	4,887	15,498	20,104				0
Other costs		87,196	50,062	68,998	50,667				0
									0
Sub-Total	402,008	459,804	355,317	389,853	405,823	328,877	330,619	-75,204	-71,389
Tree Trimming									0
Labour		51,036	100,673	70,375	53,777				0
Materials		923	590	506	1,247				0
Outside Services		53,003	39,950	44,800	78,252				0
Other costs		12,892	21,071	18,464	9,477				0
									0
Sub-Total	170,517	117,854	162,284	134,145	142,753	159,371	162,743	19,990	-7,774
Load Dispatching									0
Labour		5,115	6,673	3,887	2,747				0
Materials			-356	0	20				0
Outside Services		715	5,808	24,679	530				0
Other costs		20,132	28,567	29,405	14,782				0
									0
Sub-Total	37,575	25,962	40,692	57,971	18,079	28,207	28,681	10,602	-8,894
Underground Maintenance									0
Labour		195,706	143,940	174,948	108,636				0
Materials		39,681	39,760	31,534	23,250				0
Outside Services		11,545	11,818	10,982	14,357				0
Other costs		39,776	31,210	29,183	19,648				0
									0
Sub-Total	246,702	286,708	226,728	246,647	165,891	168,426	172,078	6,187	-74,624
Distribution Transformer Operation									0
Labour		24,703	31,623	31,254	30,338				0
Materials		7,353	16,622	7,119	9,340				0
Outside Services		820	3,548	756	3,986				0
Other costs		5,924	7,169	8,102	5,168				0
									0
Sub-Total	52,908	38,800	58,962	47,231	48,832	58,840	60,161	11,329	7,253
Meter Expense									0
Labour		232,202	245,504	262,292	282,908				0
Materials		15,369	12,705	12,890	11,029				0
Outside Services		68,575	53,361	54,455	56,744				0
Other costs		25,165	33,708	580,795	36,611				0
									0
Sub-Total	280,911	341,311	345,278	910,432	387,292	381,504	382,556	-4,736	101,645
Customer Premises									0
Labour		129,145	127,623	142,341	169,613				0
Materials		3,410	2,333	3,143	2,166				0
Outside Services		420	212	6,591	6,316				0
Other costs		12,209	11,612	12,202	12,544				0
									0
Sub-Total	213,584	145,184	141,780	164,277	190,639	182,703	181,297	-9,342	-32,287
Billing & Settlement									0
Labour		130,245	163,186	179,809	268,854				0
Materials		13,638	26,482	27,063	31,091				0
Outside Services		67,691	59,457	75,983	148,184				0
Other costs		144,500	165,079	125,351	165,063				0
									0
Sub-Total	393,491	356,074	414,204	408,206	613,192	699,355	689,493	76,301	296,002
Meter Reading Expenses									0
Outside Services		105,732	104,973	62,666	130,064				0

Other costs		2,226	1,744	651	339				0
									0
Sub-Total	105,899	107,958	106,717	63,317	130,403	128,891	131,461	1,058	25,562
Collecting									0
Labour		107,947	116,635	114,420	144,963				0
Materials		75,731	58,201	59,690	83,172				0
Outside Services		34,956	38,010	30,230	33,662				0
Other costs		29,356	28,805	41,660	45,158				0
									0
Sub-Total	268,192	247,990	241,651	246,000	306,955	230,789	229,937	-77,018	-38,255
Building Maintenance									0
Outside Services									0
Other costs									0
									0
Sub-Total	142,249	165,072	179,278	164,794	167,779	179,204	181,518	13,739	39,269
Unallocated Engineering, Operations Supervision, Trucks, Stores									0
Sub-Total	24,371	-38,636	104,375	169,868	395,220	444,580	450,650	55,430	426,279
Customer Care									0
Labour		155,491	167,228	169,708	153,029				0
Materials		1,501	1,846	2,323	1,560				0
Outside Services		120	0	125	0				0
Other costs		4,742	9,285	4,909	5,803				0
									0
Sub-Total	213,049	161,854	178,359	177,065	160,392	158,789	162,700	2,308	-50,349
Training/Health & Safety									0
Sub-Total	42,930	20,621	47,016	44,382	246,218	222,525	222,642	-23,576	179,712
Misc. Office Expenses									0
Labour		1,012,704	940,355	1,098,608	1,053,687				0
Materials		18,681	19,671	23,138	20,030				0
Outside Services		183,333	190,679	191,229	195,500				0
Other costs		359,491	220,866	186,587	289,771				0
									0
Sub-Total	1,344,497	1,574,209	1,371,571	1,499,562	1,558,988	1,629,037	1,604,093	45,105	259,596
Total	**3,980,676**	**4,039,859**	**4,002,784**	**4,739,503**	**4,950,908**	**5,016,404**	**5,144,251**	**193,343**	**1,163,575**
	3,980,676	4,039,859	4,002,784	4,739,503	4,950,908	5,016,404	5,144,251		
	-	-	-	-	-	-	-		

Notes:

1 Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all Programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.

2 The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

Employee Compensation Breakdown

FTE Definition

In the analysis below, Festival calculated FTE considering if the employees base hours for a year were 2,080 or 1,820. If an employee worked a partial year, they were considered less than an FTE. The portion of time these employees worked in a year was added to the FTE figure considered in the analysis. (i.e. if an employee in a position requiring 1,820 hrs for a year worked six months in that calendar year – they were considered 0.5 of an FTE).

2010 Actual to 2011 Actual

Number of Employees:

In 2011 Management FTE's increased by one and non-management FTE's decreased by three as documented below:

- Management – A VP of Engineering and Operations was hired in 2011 when the existing VP moved into the Chief Operating Officer role, a new position within the company.
- Non-management – this decrease in FTE is the result of fewer part time staff being employed in 2011 than in 2010 (in 2010 some part time staff were hired to aid in the deployment of smart meters). In addition, a lineman resigned late in 2010 being fully reflected in 2011.

Salary & Wages:

Management wages increased by $111K and non-management wages increased by $132K when comparing 2011 to 2010. This as a result of movement in headcount and as a result of an increase of 3% applied to each employee's wages in the year. The union contract negotiated and effective May 1, 2011 through April 30, 2014 resulted in the 3% increase being applicable to all union employees effective May 1, 2011. The Festival Board of Directors also approved a 3% increase for non union staff effective May 1, 2011 with the exception of three senior management employees whose 3% increase was effective January 1, 2011. In addition, overtime paid out to non-management employees increased by $81K from 2010 to 2011. This additional overtime is a result of the lineman resignation noted above that was not replaced in 2011 but with a similar capital and maintenance plan in place for the 2011 fiscal year.

Benefits:

Benefit expenses increased $33K in 2011 for management and $44K for non-management. This cost increase is the result of an increase in OMERS premium rates as well as the increase in salary and wages and that impact on OMERS premiums paid by the company. In addition premiums relating to Employee Basic Life Insurance and Long Term Disability increased in the 2011 year as compared to 2010.

2011 Actual to 2012 Actual

Number of Employees

In 2012 management FTE's remained the same and non-management FTE's increased by two as documented below:

- Two new non-management/non-non union employees were hired in the year. An information systems analyst was hired and an accounting clerk was hired.

Salary & Wages

Management salary and wages increased $46K in 2012 as compared to 2011 and non-management salary and wages increased $15K. This is the result of the movement in headcount as documented above (for non-management), and as a result of a 3% increase that was applied to all wages effective May 1, 2013 as agreed to in the union contract covering this period and as approved by the Festival Board of directors for the non-union staff with the exception of 3 Senior Management whose 3% increase was effective January 1, 2012.

Benefits:

Benefit expenses increased $40K for management in 2012 and $30K for non-management. These benefit expense increases were mainly as a result of the overall wage increase documented above and the resulting increase in OMERS premium rates, Basic Term Life premiums and Long Term Disability premiums paid by Festival.

2012 Actual to 2013 Draft Actual

Number of Employees:

The number of employees remained the same for both management and non-management employees in 2013 as compared to 2012.

Salary & Wages:

Salary and wages of management increased $48K in 2013 as compared to 2012 and also increased $149K for non-management staff. This is the result of the application of a 2% increase to all union staff effective May 1, 2013 and an additional 1% increase effective November 1, 2013 as per the negotiated union agreement covering this time period. In addition, the Festival Board of Directors approved a 2% increase to all non-union staff including management effective May 1, 2013 and a 1% increase for all non-union staff and management effective November 1, 2013 which is also impacting the overall salary and wage increase in 2013. Similar to prior years, the three senior managers 2% increase was effective January 1, 2013 with no second increase approved in the fiscal year for these employees. In addition, overtime costs increased by $86K from 2012 to 2013 for non-management which is the majority of the $149K overall increase in salary and wages in the year for that category. This significant overtime was the result of two ice storms that occurred in 2013.

Benefits:

Benefit expenses increased $15K for management in 2013 over 2012, and $29K for non-management staff in 2013, mainly as a result of increased OMERS, Long Term Disability and Basic Life Insurance premiums being paid based on rate increases and the increase in wages paid by the company.

2013 Draft Actual to 2014 Draft Projection

Number of Employees

Headcount in 2014 is projected to decrease by one at the management level as the result of the President of the organization retiring in the year and the anticipation of this role being filled internally. In addition, the operations manager is projected to retire during the year and a lineman has been hired to transition into that role. As such the non-management category is being decreased by one headcount as the lineman moving into the operation manager's role is not being replaced with a new headcount in 2014.

Salary & Wages

Management salary and wages are projected to decrease in 2014 by $141K. This decrease is driven by the retirement of both the president and the operations manager, offset by the movement of a lineman into the operation manager's role (with a four month overlap period). Non-management salary and wages are expected to decrease $33K in 2014 as the result of the movement of one line professional into a management position. These retirements/movements are offset by a projected increase in all labour of 2.5% based on the anticipated increase agreed upon in the union contract that is scheduled to become effective May 1, 2014. It is anticipated as in historical years that the Festival Board will approve a similar increase in wages to all other non-union employees – both management and non-management, in the year.

Benefits

Benefits are expected to decrease $42K for management in 2014 and $3K for non-management mainly as a result of the movements highlighted above and the impact on required OMERS premiums payable by Festival.

2015 Projection to 2014 Projection

Number of Employees

Festival is not projecting an increase in headcount for 2015 as compared to 2014 projections.

Salary & Wages

Management salaries and wages are expected to decrease in 2015 by $52K as a result of savings of the partial year of earnings of the president paid in 2014 (retirement date at the end of March 2014), and the operations manager earnings paid (retirement date at the end of June 2014). As noted above, the president's position is expected to be filled with an internal candidate and therefore no additional wage has been projected. Non-management earnings are expected to increase by $33K in 2014 (the movement of the lineman to the management position became effective January 1, 2014 and therefore no additional savings from this movement between categories has been recognized in 2015). The savings in salary and wages at the management level and the noted increase in non-management salaries and wages encompass an anticipated 2.5% increase for all employees effective May 1, 2015.

Benefits

Benefit expenses are expected to decrease 7K for management in 2015 and increase 19K for non-management in 2015 as a result of anticipated impacts to OMERS premiums paid based on projected wages and salaries for 2015 and projected premium rates.

Overall Considerations:

All years include, within the figures provided, (whether actual or projected) movements in salary grids for individual employees who are working towards a maximum rate of pay for their position. These salary increases due to grid movements are projected to be immaterial each year. Movement within an individual pay grid for a particular position is based on the following methodology:

Festival Hydro – Description Movement of Steps

Step 1

The incumbent possess the basic skills and minimum amount of experience to begin taking on the position. Typically, the incumbent will be able to address 75 to 80% of the accountabilities outlined in their job description with minimal guidance from their supervisor.

Step 2

The incumbent has demonstrated competence at the STEP 1 level, and is now able to address 80 to 85% of the accountabilities outlined in their job description. Their performance has been discussed in a formal evaluation process after at least 6 months in the position, and received a rating of “meets expectations” or better.

Step 3

The incumbent can now address 85 to 90% of the accountabilities their performance has been assessed as being “meets expectations” or better for the position. It is expected that the incumbent will reach STEP 3 within the first 12 months of assuming the new position, provided the performance evaluations have been “meets expectations” or better.

Step 4

The incumbent should be able to address 90 to 95% of their accountabilities and is expected to be able to assume temporary, additional responsibilities when necessary. Performance evaluations have “meets expectations” or better.

Step 5

The incumbent is now able to address 95 to 100% of their accountabilities and consistently receives at least a “meets expectations” rating on performance evaluations. This is the typical level of performance and salary expected for this position. Most incumbents should be able to reach this level within 24 to 36 months of assuming the new position, provided that performance evaluation and employee development have occurred with desired results.

Step 6

The incumbent consistently addresses 100% of their accountabilities and will frequently assume additional responsibilities beyond the scope of the job description. Performance evaluations will be at “exceeds expectations” or “outstanding”. This level is reserved for employees who consistently produce results in excess of those normally expected for the position, and are frequently responsible for new initiatives.

Note that Festival has not historically paid any other performance pay amount and is not projecting any performance pay for the Bridge year or the Test year.

Festival has not conducted or participated in any relevant benchmarking studies for compensation but believes our compensation package is consistent with industry norms for each position.

Details of Employee Benefit Programs:

Please refer to the attached table for details of Festival’s employee benefit program for the 2010 board approved year through 2013 historical year, 2014 bridge year, and 2015 test year. Also attached is the 2013 Actuarial valuation received for use in Festival’s audited financial report.

	Benefits Expense						
	2010 (Bd Approved)	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Draft Actual)	2014 (Bridge)	2015 (Test)
EAP	2,189	3,219	2,995	2,346	2,168	2,057	2,087
EHT	43,906	64,551	69,317	70,573	74,483	70,674	71,693
OMERS	156,428	229,984	283,513	335,487	384,704	365,029	370,289
CPP	69,047	101,514	103,035	107,316	109,787	104,172	105,673
UIC	30,500	44,842	46,010	49,542	53,573	50,833	51,565
WSIB	21,099	31,021	32,869	34,786	36,502	34,635	35,135
Dental	34,438	50,631	52,107	48,451	42,026	39,876	40,451
Ext Health	76,027	111,777	122,732	127,695	124,041	117,697	119,393
Life Ins	7,076	10,403	11,425	14,330	16,432	15,591	15,816
LTD	26,784	39,379	39,700	42,431	45,474	43,149	43,770
	467,495	687,322	763,702	832,956	889,189	843,713	855,871

Details of employee benefit program from table above are provided below:

- EAP – Employee Assistance Program - An Employee and Family Assistance Program (EFAP) supports and assists employees and their immediate family members in assessing and resolving work, health and life issues.
- EHT – Employer Health Tax - Employer Health Tax (EHT) is a government payroll tax on remuneration paid to employees –premium paid is 1.95% of gross earnings plus taxable benefits
- OMERS – Ontario Municipal Employees Retirement Savings – employees' pension plan
- CPP – Canada Pension Plan – employer matches employee payroll deduction
- UIC - (now called EI – Employment Insurance) – employer pays 1.283 times the employees' deductions for full time employees and 1.40 times for part time employees' payroll deductions
- WSIB – Workplace Safety Insurance Board – premiums paid for WSIB Coverage for our employees' - 1.07 rate per $100.00 of employees' gross earnings plus taxable benefits
- Dental - Company premiums paid to MEARIE for dental coverage for employees and eligible retirees.
- Ext Health – Extended Health Benefits - Company premiums paid to MEARIE for Extended Health Coverage for employees and eligible retirees.
- Life Insurance – Basic Life Insurance premiums paid by employer for employees' life insurance.

- LTD – Long Term Disability – company paid premiums for Long Term Disability coverage for employees. There is a six month waiting period before an employee is eligible for Long Term Disability.

Summary of Inflationary Increases

The table below summarizes the inflationary increases documented in the commentary above.

Summary of Inflationary Increases						
	2010(A)	**2011(A)**	**2012(A)**	**2013(A)**	**2014(B)**	**2015(T)**
Senior Management	3%	3%	3%	2%	2.50%	2.50%
	Jan-01	Jan-01	Jan-01	Jan-01	May-01	May-01
Management	3%	3%	3%	2%	2.50%	2.50%
	May-01	May-01	May-01	May-01	May-01	May-01
				1%		
				Nov-01		
Union/Non Management	3%	3%	3%	2%	2.50%	2.50%
	May-01	May-01	May-01	May-01	May-01	May-01
				1%		
				Nov-01		

Attachment 1 of 2

Festival 2013 Actuarial Report

Collins Barrow Toronto
Actuarial Services Inc.

Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

March 4, 2014

BY E-MAIL: dreece@festivalhydro.com

Ms. Debbie Reece
Secretary Treasurer
Festival Hydro Inc.
187 Erie Street
P.O. Box 397
Stratford, ON N5A 6T5

Dear Ms. Reece:

Re: Festival Hydro Inc. (the "Corporation")
Post-Retirement Non-Pension Benefit Plan – Extrapolations for CY 2013

This letter provides you with our calculation of the CY 2013 benefit expense and the December 31, 2013 Accrued Benefit Obligation ("ABO") for the above noted benefit plan.

The intended users of this letter and attachments include the Corporation and its auditors for financial reporting in compliance with CICA guidelines in respect of its post-retirement non-pension benefit plan.

The calculations were performed in accordance with the guidelines set forth in Section 3461 Employee Benefits of the Canadian Institute of Chartered Accountants (CICA) Handbook Accounting Part V Pre-Changeover Accounting Standards ("CICA Section 3461").

For the post-retirement non-pension benefit plan, the December 31, 2013 ABO is approximately $1,397,000 and the CY 2013 benefit income is approximately $2,000. The supporting calculations are summarized in the accounting worksheets hereby attached.

We have performed our calculations based on the following:

- **Plan provisions**: You confirmed that there has been no change to the plan's provisions since our January 1, 2011 valuation. Said plan provisions are summarized in our January 1, 2011 actuarial valuation report for the post-retirement non-pension benefit plan ("Report").

- **Data**: We have used the membership data as at January 1, 2011 which is summarized in the Report. A copy of the December 31, 2012 financial statements and the 2013 actual retiree benefit payments for post-retirement non-pension benefits were provided by the Corporation.

- **Assumptions**: Pursuant to CICA Section 3461, a discount rate assumption of 4.60% per annum as at December 31, 2013 has been selected to reflect the current yields on high quality debt instruments. As you are aware, the Canadian Institute of Actuaries ("CIA") released an Educational Note on the "Accounting Discount Rate Assumption for Pension and Post-Employment Benefit Plans" (Educational Note) in September 2011. Along with the Educational Note, the CIA has also acquired the services of Fiera Capital Investment Management Inc. (a portfolio investment management firm in Canada) to produce a monthly spot rate curve that is derived using the methodology described in the Educational Note.

  Based on the Corporation's expected projected benefit cash flows for post-retirement non-pension benefits and the appropriate spot rate curve published by Fiera Capital (i.e. as at December 31, 2013), a discount rate assumption of 4.60% per annum as at December 31, 2013 has been selected. For your reference, a discount rate assumption of 3.75% per annum was used as at December 31, 2012.

  We have also updated the mortality table assumption to reflect mortality tables as per the Canadian Institute of Actuaries' Canadian Pensioners Mortality Pension Experience Subcommittee draft report dated July, 2013. More specifically we have used the 2014 Registered Pension Plans (RPP) Public Sector Mortality table within the report, with the generational projection of mortality improvements based upon CPM Improvement Scale A1-2014, also provided within the report. The prior valuation used the 1994 Uninsured Pensioner (UP-94) table, with a projection of mortality improvements to the year 2020 based upon Projection Scale AA.

  In addition, it was assumed that the employee's coverage type (as provided by the Corporation), will remain the same until the employee reaches the assumed retirement age. For family coverage, it is assumed that the retiree has a spouse of opposite gender and no other dependents. Male spouses are assumed to be 3 years older than female spouses. In the previous valuation, it was assumed that the employee's coverage type at the valuation date, as provided in the valuation data by the Corporation, would remain the same throughout retirement. There were no assumptions made for spousal gender or spousal age offset.

  All other assumptions used in our calculations are as summarized in the Report.

- **Method**: We have done our calculations as at December 31, 2013 using the above information and the method described in the Report. The ABO as at December 31, 2013 is based on a roll forward of the membership data at January 1, 2011 to December 31, 2013 and management's best estimate assumptions as at December 31, 2013. To clarify, we have assumed the status of members is unchanged and salaries have grown as expected

- **Accounting policy**: We have applied the same accounting policies described in the Report. For clarity, the Corporation recognizes the full amount of any actuarial gains or losses arising in the fiscal year.

As you can see in the attached accounting worksheets, the ABO at December 31, 2013 for post-retirement non-pension benefits is approximately $92,000 less than the expected ABO at December 31, 2013. This is due to the aforementioned demographic experience and changes in assumptions (i.e. discount rate, mortality table, and coverage type).

We are not aware of any subsequent events that would have a significant impact on our calculations and understand that a full actuarial review will be performed as at January 1, 2014.

If you have any questions regarding the above or the attached accounting schedules, please do not hesitate to call.

Yours truly,

Stanley Caravaggio

Stanley Caravaggio, FSA FCIA
Senior Manager
[E-mail: srcaravaggio@collinsbarrow.com]
[Telephone: 416.408.5306]

Patrick G. Kavanagh

Patrick Kavanagh, ASA ACIA
Manager
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Festival Hydro Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Calendar Year 2013
Discount Rate - January 1	3.75%
Discount Rate - December 31	4.60%
Withdrawal Rate	2.00%
Assumed increase in Employer Contributions	actual

A. Determination of Benefit Expense

Current Service Cost	34,451
Interest on Benefits	54,885
Expected Interest on Assets	-
Past Service Cost	
Transitional Obligation/(Asset)	-
Actuarial (Gain)/Loss	(91,659)
Benefit Expense	(2,324)

B. Reconciliation of Prepaid Benefit Asset (Liability)

Accrued Benefit Obligation (ABO) as at December 31	1,397,008
Assets as at December 31	-
Unfunded ABO	(1,397,008)
Unrecognized Loss/(Gain)	-
Unrecognized Transition	-
Prepaid Benefit Asset (Liability)	(1,397,008)
Prepaid Benefit/(Liability) as at January 1	(1,458,962)
Benefit Income/(Expense)	2,324
Contributions/Benefit Payments by the Employer	59,630
Prepaid Benefit Asset (Liability)	(1,397,008)

Festival Hydro Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Calendar Year 2013
Discount Rate - January 1	3.75%
Discount Rate - December 31	4.60%
Withdrawal Rate	2.00%
Assumed increase in Employer Contributions	actual

C. Calculation of Component Items

Calculation of the Service Cost

- Current service cost	34,451

Interest on Benefits

- ABO at January 1	1,458,962
- Current service cost	34,451
- Benefit payments	(29,815)
- Accrued benefits	1,463,598
- Interest	54,885

Expected Interest on Assets

- Assets at January 1	-
- Funding	29,815
- Benefit payments	(29,815)
- Expected assets	-
- Interest	-

Expected ABO as at December 31

- ABO at January 1	1,458,962
- Current service cost	34,451
- Interest on benefits	54,885
- Benefit payments	(59,630)
- Expected ABO at December 31	1,488,667

Expected Assets as at December 31

- Assets at January 1	-
- Funding	59,630
- Interest on assets	-
- Benefit payments	(59,630)
- Expected Assets at December 31	-

Festival Hydro Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Calendar Year 2013
Discount Rate - January 1	3.75%
Discount Rate - December 31	4.60%
Withdrawal Rate	2.00%
Assumed increase in Employer Contributions	actual

D. Actuarial (Gain)/Loss

(Gain)/Loss on ABO as at January 1	
- Prepaid Benefit/(Liability) as at January 1	1,458,962
- Unamortized (Gain)/Loss	-
- Expected ABO	1,458,962
- Actual ABO	1,458,962
- Total (Gain)/Loss on ABO	-
(Gain)/Loss on assets as at January 1	
- Expected assets	-
- Actual assets	-
- (Gain)/Loss on assets	-
Total (Gain)/Loss as at January 1	-
10% of ABO as at January 1	145,896
Total (Gain)/Loss in excess of 10%	-
Expected average remaining service life (years)	9
Minimum Amortization for current year	
(Gain)/Loss on ABO at December 31 due to change in discount rate assumptio	
- Expected ABO - December 31	1,488,667
- Actual ABO - December 31	1,397,008
- (Gain)/Loss on ABO at December 31	(91,659)
Actual Amortization for current year	(91,659)
Unamortized (Gain)/Loss	-

Attachment 2 of 2

OEB Appendix 2-K

File Number:	EB 2014 0073
Exhibit:	4
Tab:	3
Schedule:	2
Attachment:	2
Date:	25-Apr-14

Appendix 2-K
Employee Costs

	Last Rebasing Year - 2010- Board Approved	Last Rebasing Year - 2010- Actual	2011 Actuals	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Number of Employees (FTEs including Part-Time)[1]							
Management (including executive)	11	11	12	12	12	11	11
Non-Management (union and non-union)	34	36	33	35	35	34	34
Total	45	47	45	47	47	45	45
Total Salary and Wages including ovetime and incentive pay							
Management (including executive)	$ 872,182	$ 1,095,323	$ 1,206,051	$ 1,251,645	$ 1,299,464	$ 1,158,726	$ 1,106,724
Non-Management (union and non-union)	$ 2,217,898	$ 2,203,848	$ 2,335,579	$ 2,350,858	$ 2,500,330	$ 2,466,931	$ 2,499,984
Total	$ 3,090,080	$ 3,299,171	$ 3,541,630	$ 3,602,503	$ 3,799,794	$ 3,625,657	$ 3,606,708
Total Benefits (Current + Accrued)							
Management (including executive)	$ 153,857	$ 209,762	$ 242,437	$ 281,993	$ 302,820	$ 260,715	$ 254,085
Non-Management (union and non-union)	$ 313,638	$ 477,560	$ 521,265	$ 550,963	$ 586,369	$ 582,999	$ 601,786
Total	$ 467,495	$ 687,322	$ 763,702	$ 832,956	$ 889,189	$ 843,713	$ 855,871
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	$ 1,026,039	$ 1,305,085	$ 1,448,488	$ 1,533,638	$ 1,602,284	$ 1,419,441	$ 1,360,809
Non-Management (union and non-union)	$ 2,531,536	$ 2,681,408	$ 2,856,844	$ 2,901,821	$ 3,086,699	$ 3,049,929	$ 3,101,770
Total	$ 3,557,575	$ 3,986,493	$ 4,305,332	$ 4,435,459	$ 4,688,983	$ 4,469,370	$ 4,462,579

Shared Services and Corporate Cost Allocation

SERVICES PROVIDED BY Festival TO Festival Hydro Services Inc.

Management Services

A Services Agreement between Festival and an affiliate, Festival Hydro Services Inc. was revised effective September 1, 2012 and is still in effect and provided in E4/T3/S3/A1. This agreement covers management services and billing services Festival provides to its affiliate. The fee for these services is equal to $3.07/bill produced for the billing portion of the agreement, and cost plus a rate of return (currently using 9.85%) for the management services portion of the contract.

Festival Hydro Services Inc. is a telecommunications company that is also owned 100% by the City of Stratford. The former Stratford Public Utilities Commission owned the fibre assets currently included in Festival Hydro Services Inc. When Festival Hydro was incorporated in 2000 and was mandated by the Ontario Energy Board, it was required that the fibre assets be segregated from the assets of the electric department. As such – Festival Hydro Services Inc. was created and a services agreement was established to administer the relationship in compliance with the affiliate relationship code. As Festival Hydro Services Inc. had no employees, the services agreement was developed to provide management services to the company, as well as billing services for the fibre contracts that were in place within the company. In 2012 a revised contract was put in place with the following changes:

- The charge per bill increased from $1/bill to $3.07/bill so that this contract remained consistent with other affiliate contracts that include this service. The billing charge represents the cost of the billing department, an allocation of the cost of the billing system, as well a cost of materials required for billing.
- Management services which had originally been estimated at 5% of total revenues of Festival Hydro Services Inc. under the previous contract, were to be charged based on actual hours and costs of specific Festival staff working on

tasks for the affiliate. In addition to the cost of labour and benefits of the Festival staff performing these services, the new agreement required a markup equal to the rate of return being earned by Festival also be charged to Festival Hydro Services Inc. Festival felt this change in methodology would more accurately transfer costs to the affiliate relating to the services being purchased and that it was in conformance with ARC.

Appendix 2N documents the change in pricing methodology occurring in 2012 (effective September 1, 2012), and the appendix highlights the rate of return being earned by Festival on this service contract from this point forward. The management services provided include CEO, COO, CFO and accounting services.

SERVICES PROVIDED BY Festival TO The City of Stratford

<u>Streetlight Maintenance Services</u>

Festival performs street lighting services for the City of Stratford. Festival has been performing these services as a continuation of services previously offered by the Stratford PUC. Festival charges the City for direct costs incurred for street light maintenance and replacements. The direct costs include actual costs such as labour, overhead allocations, and vehicle costs. In addition – in Festival's 2010 cost of service application, we were required to begin charging a rate of return on these services. As such – appendix 2N indicates that this service is billed out at "cost plus" effective 2010 and the actual costs, as per the appendix, are less than revenues charged. Festival has been charging a rate of return of 9.85% on these services in historical years, and has projected this rate of return in the 2014 Bridge and 2015 Test years.

<u>Water and Sewage Billing and Collecting Services</u>

Festival Hydro Inc. performs water and sewage billing services for the City of Stratford. This billing is a continuation of services previously performed by the Stratford PUC. Festival Hydro Inc. has a services agreement with the City of Stratford which was renewed effective January 1, 2014. This agreement is included in E4/T3/S3/A1. This agreement includes a price of $3.07/invoice produced (versus $2.98/invoice as was charged in the previous agreement). The agreement also specifies that the monthly cost per invoice will be increased by the previous year's Ontario Energy Board allowed increase which will be reviewed and agreed upon with the City annually. The price per invoice is meant to cover costs to Festival including customer service supervision, meter reading, customer billing, and collections. In order to determine the costs associated with this agreement, the items noted above are allocated at a rate of 35%, and represent the cost of this contract presented in appendix 2N.

Festival feels the pricing methodology selected for both service agreements with the City of Stratford is an accurate reflection of the cost involved for both contracts with an appropriate rate of return being considered and is in conformity with ARC.

Note that there are no Board of Director costs for affiliates included in Festival's costs.

Variance Analysis

The table below highlights the variance analysis between the last Board approved figures and the most recent actual figures (2013), compared to the test year (2015) for the shared services highlighted above.

Shared Services - Variance Analysis

	2010 Bd Approved		2013 Actuals		2015 Test Yr		Bd Approved vs. Test Year		2013 Actuals Vs. Test Year	
	Price	Cost	Price	Cost	Price	Cost	Price	Cost	Price	Cost
Management services(FHI to FHSI)	21,200.00	21,200.00	74,247.00	67,589.00	52,800.00	48,065.00	31,600.00	26,865.00	-21,447.00	-19,524.00
Streetlight Mntc (FHI to City)	146,447.49	130,683.00	170,486.00	151,696.00	190,177.00	173,386.00	43,729.51	42,703.00	19,691.00	21,690.00
Water/Sewage Billing & Collecting (FHI to City)	386,534.00	357,869.00	437,209.00	405,142.00	448,207.00	409,317.00	61,673.00	51,448.00	10,998.00	4,175.00

<u>2015 Test Year Compared to 2010 Board Approved</u>

Festival's price and cost for management services provided to FHSI have increased since the 2010 Board approved amount as a result of the increased cost of labour over the five year time frame. In addition, effective September 2012 a rate of return of 9.85% is now charged on these services which is reflected in the differential between the price and the cost in the test year versus the board approved amounts where the price equaled the cost.

Festival's price and cost of streetlight maintenance services provided to the City of Stratford have increased since the 2010 Board approved amounts due to higher labour and material costs over the five year period as well as increased maintenance activities.

Festival's price and cost of water/sewage billing & collecting services provided to the City of Stratford have increased since the 2010 Board approved amounts due to higher labour and material costs over the five year period. In January of 2014 a revised contract was executed with increased pricing per invoice which is also impacting this variance.

<u>2015 Test Year versus 2013 Actual</u>

Revenue and cost for the management services Festival provides to FHSI are projected to decrease in the 2015 test year as compared to the 2013 actual figures mainly due to changes in the affiliate structure where more of the types of services typically provided by Festival will be provided by an employee of the affiliate. This structure change is anticipated in 2014 and will be fully implemented for all of 2015.

Streetlight maintenance price and cost are projected to increase when comparing the 2015 test year to the 2013 actual figures due to projected labour and material cost increases over the two year period.

Water/sewage billing and collecting price and cost are expected to increase when comparing the 2015 test year to the 2013 actual figures. Both are increasing as a result of projected increased labour and material costs. In addition – in January 2014 a revised contract was executed with increased pricing per invoice which is also impacting the variance.

Attachment 1 of 2

Festival Affiliate Service Agreements

WATER AND SEWAGE BILLING SERVICES AGREEMENT
BETWEEN
THE CORPORATION OF THE CITY OF STRATFORD
AND
FESTIVAL HYDRO INC.

SERVICES AND RESOURCES

The following services and resources will be provided by Festival Hydro Inc. on an "on going basis":

- The processing of a monthly water and sewage invoice to the residents of the City of Stratford.
- Maintain an accurate customer information system of the current customer names and addresses including residential and general service homeowners and tenants.
- Calculating the invoice using an actual meter read each month. The quantity from the meter read is used to calculate both the water and the sewage portion of the bill.
- Upon collection, ensure the payment reduces the water and sewage accounts receivable balance.
- For accounts not paid on the due date, include amount in our collection process. External collection procedures will also be performed as deemed necessary.
- Allow access to our computer information system for water and sewage information currently accessible by your water employees at your 82 Erie Street and Wellington Street locations.
- Allow access to our computer information system for additional functionality including meter history and service order processing.
- Festival Hydro service and enquiry call centre to answer customer service enquiries and initiate service orders for any calls it receives for the water division.
- All work to be carried out by qualified personnel in a timely manner.
- Provide necessary system maintenance support including such items as rate changes.

COST FOR BILLING AND COLLECTION SERVICES

The services provided to the City of Stratford shall be supplied at a cost-based price reflecting the costs of producing the service including a return no less than Festival Hydro's approved weighted average cost of capital..

For the calendar year 2013, this price is $3.07 per invoice produced.

From 2014 to 2018 the monthly cost per invoice will be increased by the previous year Ontario Energy Board allowed increase.. This will be reviewed and agreed on annually.

Festival Hydro Inc. will remit an amount to the City of Stratford for the water and sewage amounts billed by the end of the month following the billing, less the billing and collection costs which is agreed on annually.

CONFIDENTIALITY

Unless required by law or otherwise directed by the Ontario Energy Board, no information deemed to be confidential shall be disclosed to individuals, retailers, competitors, or others. In particular, any information pertaining to hydro customers of Festival Hydro or water customers of the City of Stratford shall not be used by the City of Stratford or vise versa for the marketing or sale of services or products. Information deemed to be confidential normally includes (but is not limited to) customer name, address, phone number, consumption history, payment history, and banking information. Festival Hydro Inc will require confidentiality sign offs by city employees on an annual basis.

Confidential information provided by Festival Hydro to the City of Stratford or by the City of Stratford to Festival Hydro shall remain the property of and the proprietary and confidential information of the other party. Neither party shall use any of the information for any purpose other than performing the terms and conditions of the agreement. Both parties shall make all reasonable, necessary and appropriate efforts to safeguard the confidential information from disclosure to anyone other than as permitted.

APPORTIONMENT OF RISKS

As the Supplier, Festival Hydro shall at all times during the term of the Agreement and any renewals thereof, maintain and pay for an insurance policy covering all of its undertaking and in particular, comprehensive general liability insurance and property damage liability insurance coverage in an amount not less than Five Million Dollars ($5,000,000) for each occurrence involving:

a) Bodily Injury Liability
b) Broad Form Property Damage Liability
c) Personal Injury Liability
d) Products and Completed Operations
e) Blanket Contractual Liability
f) Contingent Employer's Liability
g) Non-Owned Automobile, including:
h) Additional Insured under S.P.F. No 6 (Non-Owned Auto) and S.E.F. No. 96 (Contractual Liability Endorsement under the S.P.F. No. 6 (Non-Owned Auto)

i) Owners' or Contractors' Protective Liability
j) Fire Fighting Expense
k) Legal Liability for Damage to Hired Automobiles Endorsement

Each insurance policy referred to herein shall contain, as appropriate, a sever ability of interests and a cross liability clause.

INDEMNIFICATION

In no event shall either Party be liable to the other for:

a) Business Interruption including loss of profits or revenue, loss of use, cost of capital, downtime costs, cost of substitute products, facilities, services, or replacements;
b) Special, indirect, punitive or consequential damages incurred or suffered by either Party and/or successors and assigns, employees, servants, agents, directors, officers, representative and/or any customers or suppliers and/or any third party claiming through or under either Party.

DISPUTE RESOLUTION PROCESS

In the event of a dispute between Festival Hydro and The City of Stratford not able to be resolved to a mutual agreement, either party shall be entitled to refer the matter for arbitration in accordance with the Arbitration Act of Ontario.

TRANSFER AND ASSIGNMENT

Festival Hydro Inc., cannot at any time, assign this agreement in whole or in part, to any person, with the exception of Festival Hydro Services Inc., without the prior written consent of the City of Stratford.

TERM

This agreement is effective January 1, 2014, for a period to extend for five years from the effective date.

The term of this agreement shall be extended for such further term as the parties hereto may agree to in writing.

Signed on behalf of:

Dated: Aug. 12, 2013

FESTIVAL HYDRO INC.

President: Bill Zehr

THE CORPORATION OF THE CITY OF STRATFORD

Mayor: Daniel B. Mathieson

Clerk: Joan L. Thomson

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT for administrative and other services described herein dated this 1st day of September, 2012 (the "**Effective Date**")

BETWEEN:

Festival Hydro Inc of 187 Erie Street, Stratford, Ontario, N5A 6T5
(the "**Service Provider**")

- AND -

Festival Hydro Services Inc of 187 Erie Street, Stratford, Ontario, N5A 6T5
(the "**Customer**")

(each a "**Party**" and collectively the "**Parties**")

BACKGROUND:

A. The Customer is of the opinion that the Service Provider has the necessary qualifications, experience and abilities to provide administrative and other services to the Customer.

B. The Service Provider is agreeable to providing such services to the Customer on the terms and conditions set out in this Agreement.

C. The Parties acknowledge the Service Provider is regulated by the Ontario Energy Board and this document is to be interpreted in a manner that is consistent with the ARC.

IN CONSIDERATION OF the matters described above and of the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the parties to this Term Sheet agree in principle to pursue an agreement (this "**Agreement**") with terms as follows:

Definitions

1. Definitions: Unless the context requires otherwise, the following terms shall, for the purpose of this Agreement, mean:

   a. ***Account*** means an account of a customer of the Customer's;

   b. ***Agreement*** means this agreement for administrative services and any amendments thereto;

   c. ***ARC*** means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* or any similar document published by the Ontario Energy Board applicable to the subject matter of this Agreement;

d. ***Ontario Energy Board*** means the Ontario Energy Board or any successor organization thereto;

<u>Services Provided</u>

2. The Customer hereby agrees to procure from the Service Provider and the Service Provider agrees to provide to the Customer, during the Term of this Agreement, the following services (the "**Services**") using the Service Provider's employees (the "**Personnel**") and equipment (the "**Equipment**"):

    a. on an ongoing basis:

        1. Account service, Account information management, Account billing, cash collection, human resources and information technology; and

        2. Executive and management and finance; and

    b. on an "as required" basis, all labour, equipment, materials, and vehicle usage for the installation of:

        1. new sentinel lights and the maintenance and/or replacement of existing lights ("***Sentinel Lighting Services***");

        2. new fibre optics systems and the maintenance and/or replacement of existing systems ("***Fibre Optic Services***"); and

        3. new Wi-Fi systems and the maintenance and/or replacement of existing systems ("***Wi-Fi Services***").

<u>Term of Agreement</u>

3. The term of this Agreement will commence at 00:00:02 on the Effective Date and will remain in full force and effect until 00:00:01 on the fifth (5^{th}) anniversary of the Effective Date, subject to earlier termination as provided in this Agreement,.

4. In the event that either Party wishes to terminate this Agreement, that Party will be required to provide written notice of termination not less than 1 year in advance.

5. Except as otherwise provided in this Agreement, the obligations of the Service Provider will terminate upon the termination of this Agreement by the Customer or the Service Provider.

<u>Performance</u>

6. The Parties agree to do everything necessary to ensure that the terms of this Agreement take effect.

7. All work in connection with the Services shall be carried out by qualified personnel in a timely manner, in accordance with applicable permits and using quality materials.

8. Service Provider shall ensure that Customer's financial records are maintained and held separately from those of Service Provider.

Compensation & Payment

9. For the Services described in Section 2.a(1), the Customer will pay to the Service Provider $3.07 per Account billing invoice, payable in 12 monthly installments on the first Business Day of each calendar month. Annual increases to this charge will be equivalent to the Ontario Energy Board approved "Gross Domestic Product minus Industrial Price Index less the productivity factor ("GDP – IPI less productivity index").

10. Service Provider shall invoice Customer for the Services described in Section 2a(2) and 2.b as follows:

    a. for Personnel, actual hours worked on the specific task at the actual hourly rate of the employee performing the task at the fully allocated cost of such work; plus

    b. vehicles and other Equipment used by the Personnel will be charged for each hour utilized by staff while working on the specific task at a fully allocated cost

    Incentive payments that are compliant with the ARC may be made under this Agreement if proposed by Service Provider and payment is approved by Customer.

11. For the purpose of this Agreement, "fully allocated cost" will, in the absence of evidence to the contrary, mean the cost the Service Provider would charge to a third party for the specified service.

12. For any outside agencies or third parties supplying goods or services to Customer such costs will be charged directly to the appropriate Account.

Confidentiality

13. Unless required by law or otherwise directed by the Ontario Energy Board, no information deemed to be confidential shall be disclosed to individuals, retailers, competitors, or others. In particular, any information pertaining to customers of Service Provider shall not be used by Customer for the marketing or sale of services or products. Information deemed to be confidential normally includes (but is not limited to) customer name, address, phone number, consumption history, payment history, and banking information.

14. The Service Provider agrees that during the term of this Agreement, the Service Provider will not in any way directly or indirectly solicit, entice, or hire away any employee or other service provider of the Customer.

Return of Property

15. Upon the expiry or termination of this Agreement, the Service Provider will return to the Customer any property, documentation, records, or confidential information which is the property of the Customer.

Assignment

16. The Service Provider will not voluntarily or by operation of law assign or otherwise transfer its obligations under this Agreement without the prior written consent of the Customer.

Capacity/Independent Contractor

17. Service Provider and the Customer acknowledge and agree that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service. Service Provider does not share employees with Customer, but contracts to provide services to Customer.

Modification of Agreement

18. Any amendment or modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement will only be binding if evidenced in writing signed by each Party or its authorized representative.

Notice

19. All notices, requests, demands or other communications required or permitted by the terms of this Agreement will be given in writing by a Party and delivered to the other Party as follows:

    a. If to Festival Hydro Inc.
    187 Erie Street, Stratford, Ontario, N5A 6T5

    b. If to Festival Hydro Services Inc.
    187 Erie Street, Stratford, Ontario, N5A 6T5

    or to such other address as to which either Party may from time to time notify the other.

Costs and Legal Expenses

20. In the event that legal action is brought to enforce or interpret any term of the Agreement, the prevailing party will be entitled to recover, in addition to any other damages or award, all reasonable legal costs and fees associated with the action.

Time of the Essence

21. Time is of the essence in this Agreement. No extension or variation of this Agreement will operate as a waiver of this provision.

Entire Agreement

22. It is agreed that there is no representation, warranty, collateral agreement or condition affecting this Agreement except as expressly provided in this Agreement.

Liability & Indemnification

23. Service Provider shall, at all times during the term of this Agreement and any renewals thereof, maintain and pay for:

a. an insurance policy covering all of its undertaking and in particular, comprehensive general liability insurance and property damage liability insurance coverage in an amount not less than Five Million Dollars ($5,000,000), for each occurrence involving:

    1. bodily injury liability;
    2. broad form property damage liability;
    3. personal injury liability;
    4. products and completed operations;
    5. blanket contractual liability;
    6. contingent employer's liability;
    7. non-owned automobile, including additional insured under S.P.F. No. 6 (non-owned auto) and S.E.F. No. 96 (contractual liability endorsement under the S.P.F. No. 6 (non-owned auto);
    8. owners' or contractors' protective liability;
    9. firefighting expense; and
    10. legal liability for damage to hired automobiles endorsement;

b. owned automobile insurance with a limit of not less than Two Million Dollars ($2,0000,000) for liability including accident benefits, death and bodily injury; and

c. all risk property damage insurance for all of its equipment and property of Festival Hydro Inc.

24. Each insurance policy referred to herein shall contain, as appropriate, a severability of interests and a cross liability clause.

25. The Parties agree to use the same insurance carrier and co-ordinate coverage and claims to minimize cost. Customer shall be a named insured on the policy held by Service Provider.

26. It is understood and agreed that the Service Provider will have no liability to the Customer or any third party for any loss or damage (whether direct, indirect, or consequential) which may arise from the provision of the Services in excess of the compensation payable by the Service Provider's insurance company in respect of such loss or damage. The Service Provider will indemnify and hold the Customer harmless

from any claims against the Customer by any other party, arising directly or indirectly out of the provision of the Services by the Service Provider.

a) The Customer shall indemnify, defend and hold harmless the Service Provider, its officers, directors, and employees (each an "**FHI Indemnitee**") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, awards, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each an "**Indemnifiable Loss**"), asserted against or suffered from or arising out of the provision of the Services, use of the Equipment by the Customer and/or the possession or occupation by the Customer of any property or assets of the Service Provider.

b) Service Provider shall be deemed to hold the provisions of Section 24(a) that are for the benefit of FHI Indemnitees that are not party to this Agreement in trust for such persons as third party beneficiaries under this Agreement.

c) Should Service Provider be held liable by a court of law for any reason outside of the Indemnity under Section 24(a), Customer agrees that Service Provider's liability to Customer or any third party in connection with or arising under this Agreement, including without limitation, any liability arising from any act or omission of Service Provider in the provision of the Personnel and/or Equipment, whether arising in contract, tort, equity or otherwise, shall be limited to actions or liabilities resulting solely from the fraud or willful misconduct of Service Provider in the provision of the Personnel and/or Equipment and shall not exceed an amount equal to the total amount paid by Customer to Service Provider under this Agreement for Personnel and Equipment over the twelve-month period immediately preceding the date that the cause of action or claim giving rise to the liability first arose.

d) Service Provider shall not be liable for any damages caused by delay in delivering or furnishing any Personnel or Equipment referred to in this Agreement.

Fines, etc.

27. Notwithstanding anything else to the contrary in this Agreement, the Parties agree that Service Provider shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed on Customer, and Customer agrees to indemnify and hold harmless Service Provider from any such sanctions, fines, penalties or similar obligations.

Enurement

28. The Agreement will enure to the benefit of and be binding on the Parties and their respective heirs, executors, administrators, successors and permitted assigns.

Currency

29. Except as otherwise provided in the Agreement, all monetary amounts referred to in the Agreement are in Canadian dollars.

Governing Law

30. It is the intention of the Parties that this Agreement and the performance of each Party's obligations under this Agreement, and all suits and special proceedings under this Agreement, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws in force the Province of Ontario, without regard to the jurisdiction in which any action or special proceeding may be instituted.

Severability

31. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, all other provisions will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of this Agreement.

Waiver

32. The waiver by either Party of a breach, default, delay or omission of any of the provisions of Agreement by the other Party will not be construed as a waiver of any subsequent breach of the same or other provisions.

Dispute Resolution Process

33. In the event of a dispute between the Parties which cannot be resolved by good faith negotiation between the Parties, either Party shall be entitled to refer the matter for arbitration in accordance with the *Arbitration Act* of Ontario.

[the remainder of this page is intentionally left blank and the signature page follows]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

FESTIVAL HYDRO SERVICES INC.

FESTIVAL HYDRO SERVICES INC.

Per: ______________________ ~~(Corp seal)~~

Name:

Title: **W.G. Zehr, President**

Jan 27/13

FESTIVAL HYDRO INC.

FESTIVAL HYDRO INC.

Witness Kelly McCann

Per: ______________________ ~~(Corp seal)~~

Name:

Title: **W.G. Zehr, President**

Jan 27/13

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Attachment 2 of 2

OEB Appendix 2-N

File Number:	EB 2014 0073
Exhibit:	4
Tab:	3
Schedule:	3
Attachment:	2
Date:	25-Apr-14

Appendix 2-N
Shared Services and Corporate Cost Allocation

Year: 2010 Actual

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Festival	Festival Hydro Services	Management Services	% of Sales	32,793	32,793
Festival	City of Stratford	Steet light Maintenance	Cost plus	143,308	137,318
Festival	City of Stratford	Water/Sewage Billing & Collecting	Cost plus	409,014	327,776

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
N/A					

Year: 2011 Actual

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Festival	Festival Hydro Services	Management Services	% of Sales	41,711	41,711
Festival	City of Stratford	Steet light Maintenance	Cost plus	154,095	147,094
Festival	City of Stratford	Water/Sewage Billing & Collecting	Cost plus	410,721	366,161

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
N/A					

Year: 2012 Actual

Shared Services

Name of Company				Price for the	Cost for the

From	To	Service Offered	Pricing Methodology	Service $	Service $
Festival	Festival Hydro Services	Management Services	% of Sales/Cost Plus	75,032	73,250
Festival	City of Stratford	Steet light Maintenance	Cost Plus	195,146	184,604
Festival	City of Stratford	Water/Sewage Billing & Collecting	Cost plus	420,015	367,909

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
N/A					

Year: 2013 Actual

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Festival	Festival Hydro Services	Management Services	Cost plus	74,247	67,589
Festival	City of Stratford	Steet light Maintenance	Cost plus	170,486	151,696
Festival	City of Stratford	Water/Sewage Billing & Collecting	Cost plus	437,209	405,142

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
N/A					

Year: 2014 Bridge

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Festival	Festival Hydro Services	Management Services	Cost plus	64,000	58,260
Festival	City of Stratford	Steet light Maintenance	Cost plus	194,667	177,040
Festival	City of Stratford	Water/Sewage Billing & Collecting	Cost plus	442,674	407,168

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
N/A					

Year: 2015 Test

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Festival	Festival Hydro Services	Management Services	Cost plus	52,800	48,065
Festival	City of Stratford	Steet light Maintenance	Cost plus	190,177	173,386
Festival	City of Stratford	Water/Sewage Billing & Collecting	Cost plus	448,207	409,317

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
N/A					

Note:

1 **This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years. The required information includes:**

· ***Type of Service:***

Services such as billing, accounting, payroll, etc. The applicant must identify any costs related to the Board of Directors of the parent company that are allocated to the applicant.

· ***Pricing Methodology:***

Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. The applicant must provide evidence demonstrating the pricing methodology used. The applicant must also provide a description of why that pricing methodology was chosen, whether or not it is in conformity with ARC, and why it is appropriate.

· ***% Allocation:***

The applicant must provide the percentage of the costs allocated to the entity for the service being offered. The Applicant must also provide a description of the allocator and why it is an appropriate allocator.

Purchase of Non-Affiliate Services

Festival purchases supplies and services from third parties in order to distribute electricity to its customers. The tables below list Festival's expenditures on purchased services in 2010 through to 2013 in excess of $20,000 from any single supplier.

Festival's procurement policy appears as E4/T3/S4/Att1. Festival purchases equipment, materials and services in a cost effective manner with full consideration given to price as well as product quality, the ability to deliver on time, reliability, compliance with engineering specifications and quality of services. Vendors are screened to ensure knowledge, reputation, and the capability to meet Festival's needs. The procurement of goods and services for Festival is carried out with the highest of ethical standards and consideration to the public nature of the expenditures.

Festival's purchasing policy includes the following requirements:

- Purchases greater than $30,000 must go out for tender
- Purchases between $2,500 and $30,000 must receive a quote
- Purchases less than $2,500 must have a standard purchase order

Note that the tables highlight total purchases in the year from the specified vendor which may encompass several individual projects.

Festival expects its pattern of expenditures to remain generally consistent with recent history, except for material variances in expenses for Operations, Maintenance and Administration.

2010 Non-Affiliate Purchases			
Vendor Name	**Total Amount**	**Service Description**	**Methods of Purchase**
RDS UTILITY SERVICES	$ 163,021.43	Meter Reading	Tender
KELLY'S ELECTRIC LTD.	$ 160,474.62	Vaccumm Excavating	Quote
SONEPAR CANADA	$ 90,781.62	CDM-Retrofit charges	Tender
CRU SOLUTIONS INC.	$ 62,234.54	MSP-Meter Point Maint	Tender
UTILISMART CORPORATION	$ 52,884.00	Settlement Fees	Tender
ACUMEN ENGINEERED SOLUTIONS	$ 36,921.22	SCADA work	Quote
TRILLIANT INCORPORATED	$ 36,360.00	Smart meters services/training	Tender
AMEC EARTH & ENVIRONMENTAL	$ 34,488.66	Environment Ground Sampling	Quote
C. C. DANCE SEWER CLEANING INC.	$ 32,335.00	Vaccumm Excavating	Quote
EVELEIGH, MELISSA	$ 28,999.61	Building Cleaning Services	Tender
BURMAN ENERGY CONSULTANTS GROUP INC.	$ 27,770.00	CDM-Applications/Evaluatins	Tender
AIRD & BERLIS	$ 23,811.91	Legal Services	Standard
ARNTJEN SOLAR NORTH AMERICA INC.	$ 23,600.65	Solar Panel Installations &Maint.	Tender

2011 Non-Affiliate Purchases			
Vendor Name	**Total Amount**	**Service Description**	**Methods of Purchase**
ARNTJEN SOLAR NORTH AMERICA INC.	$ 212,405.85	Solar Panel Installations &Maint.	Tender
RDS UTILITY SERVICES	$ 153,294.41	Meter Reading	Tender
DAFFRON & ASSOCIATES, INC.	$ 92,062.70	Smart Meter programming/installation	Quote (Note 1)
CRU SOLUTIONS	$ 65,304.83	MSP-Meter Point Maint	Tender
IBI GROUP	$ 61,156.62	Wright TS - Eng/Design/Controls	Tender
UTILISMART CORPORATION	$ 48,609.00	Settlement Fees	Tender
KELLY'S ELECTRIC LTD.	$ 47,369.83	Vacuum Excavating	Tender
TRILLIANT	$ 47,088.00	Smart Meter design/installation	Tender
ERIC HUBBARD	$ 41,607.50	Contract IT services	Standard PO w/bd approval
BURMAN ENERGY CONSULTANTS GROUP INC.	$ 39,925.00	CDM-Applications/Evaluations	Tender
EVELEIGH, MELISSA	$ 36,160.00	Building Cleaning Services	Tender
AMEC EARTH & ENVIRONMENTAL	$ 35,969.83	Environmental Ground Sampling	Quote
WEBER CONTRACTING #7 LTD.	$ 33,410.20	U/G duct installation	Quote
SONEPAR CANADA	$ 32,767.00	CDM Retrofit Installtions/Marketing/Management	Tender
C. C. DANCE SEWER CLEANING INC.	$ 27,735.00	Vacuum Excavating	Quote
COSTELLO ASSOCIATES	$ 26,557.78	Technical Support-Wright TS	Tender
R. J. BURNSIDE	$ 20,781.59	Wright TS - Land & Prep	tender

Note:

Festival along with the other Ontario market group of Daffron users undertook a shared development project through Daffron so as to arrive at the most cost effective solution to operate smart meters on the Daffron CIS platform.

2012 Non-Affiliate Purchases			
Vendor Name	Total Amount	Service Description	Methods of Purchase
EPTCON LTD.	$ 4,217,797.22	Wright TS build	Tender
IBI GROUP (CANADA) INC.	$ 722,801.29	Wright TS - Eng/Design/Controls	Tender
HYDRO ONE NETWORKS INC.	$ 535,630.00	Wright TS-Connection & Cost Recovery	Standard PO
OLAMETER INC.	$ 89,123.75	Meter Readings	Tender
BURMAN ENERGY CONSULTANTS GROUP INC.	$ 66,150.00	CDM-Applications/Evaluations	Tender
UTILISMART CORPORATION	$ 62,258.00	Settlement Fees	Tender
AIRD & BERLIS	$ 56,254.43	Legal Fees	Standard PO
CRU SOLUTIONS	$ 46,132.08	MSP-Meter Point Maint	Tender
ERIC HUBBARD	$ 37,332.75	Contract IT services	Standard PO w/bd approval
SAVAGE DATA SYSTEMS LTD.	$ 34,290.34	Admin/Storage Fees	Tender
SONEPAR CANADA	$ 33,750.00	CDM Retrofit Installations/Marketing/Management	Tender
EVELEIGH, MELISSA	$ 32,929.25	Building Cleaning Services	Tender
ACUMEN ENGINEERED SOLUTIONS	$ 30,198.92	SCADA Implementation &Maint., CVP Audit Costs, SolarComm.Set Up	Quote
C. T. ENVIRONMENTAL	$ 25,526.95	Vacuum Excavating	Standard PO
HUMPHREY FLEET SERVICE	$ 25,107.76	Fleet Vehicle Maintenance	Tender

2013 Non-Affiliate Purchases			
Vendor Name	Total Amount	Service Description	Methods of Purchase
EPTCON LTD.	$ 3,080,596.85	Wright TS build	Tender
K-TEK ELECTRO-SERVICES LIMITED	$ 141,006.20	Wright TS-S/G,CABLE,TX,BREAKER	Tender
INTEMETRY CORPORATION	$ 134,214.63	Wright TS-Scada Capital	Quote
OLAMETER INC.	$ 98,576.01	Meter Readings	Tender
BURMAN ENERGY CONSULTANTS GROUP INC.	$ 97,700.00	CDM-Applications/Evaluations	Tender
ELORA CENTRE FOR	$ 64,450.00	Home Assistance Program	Tender
ERTH BUSINESS TECHOLOGIES INC.	$ 51,432.88	MSP-Meter Point Maint	Tender
UTILISMART CORPORATION	$ 49,825.00	Settlement Fees	Tender
COSTELLO ASSOCIATES INC.	$ 46,786.29	Wright TS - Eng/Design/Controls	Tender
ENBRIDGE GAS DISTRIBUTION INC.	$ 43,600.00	HPNC completion Fees-RBC Stratford	Tender EDA
SAVAGE DATA SYSTEMS LTD.	$ 39,282.90	Admin/Storage Fees	Tender
HUMPHREY FLEET SERVICE	$ 38,450.22	Fleet Vehicle Maintenance	Tender
DAVEY TREE EXPERT CO.	$ 33,020.00	Tree Trimming/Branch Removal	Tender
ERTH HOLDINGS INC.	$ 32,723.92	IESO Metering-Install & Register	Tender
EVELEIGH, MELISSA	$ 31,332.00	Building Cleaning Services	Tender
IBI GROUP (CANADA) INC.	$ 31,040.14	Wright TS - Eng/Design/Controls	Tender
C. C. DANCE SEWER CLEANING INC.	$ 28,147.50	Vacuum Excavating	Quote
AMEC EARTH & ENVIRONMENTA;	$ 26,183.35	Environmental Ground Sampling	Quote
C. T. ENVIRONMENTAL	$ 25,180.25	Vacuum Excavating	Quote
KELLY'S ELECTRIC LTD.	$ 24,479.12	Vacuum Excavating	Quote
UTIL-ASSIST INC.	$ 23,118.25	Util-assist Sync Op Services	Tender
G.R. WILFONG & SON LTD.	$ 22,122.75	Remove Fuel Tanks from Service Centre	Quote

Attachment 1 of 1

Festival Purchasing Policy

PURCHASING POLICY

The purchasing of goods and services fall into one of four categories:

Tenders – are used for non-stock items or service contracts valued at $30,000 or more[1]. A Tender can only be issued by the President, Vice-President, or Secretary-Treasurer. Tender packages will typically be sent directly to at least six (6) vendors known to specialize in the item or service, however, a Request for Tender may be advertised if there are an insufficient number of known vendors. A period of at least two (2) weeks is required for the vendors to review the tender package and respond. Receipt of tenders must be in sealed envelopes clearly marked as to the contents. Tenders will be opened at the time of closing by the President, Vice-President, Secretary-Treasurer, or designate. Unless otherwise specified by the Board of Directors, bidders are not permitted to attend the tender opening. The tenders will be evaluated by one or more suitable employees, and a recommendation prepared for approval by the Board of Directors. For specialized goods or services, it is permitted to have the tenders evaluated by an external third party such as an engineering consultant. Following award of the tender by the Board of Directors, the successful bidder will be immediately notified by the appropriate manager, and a purchase order initiated via a material requisition. The remaining bidders will be notified in writing of the name of the successful bidder and the award price – if appropriate.

Quotations – are used for purchases above $2500 that do not fit the tender category. Quotations may be issued by any Manager. The Request for Quotation package will typically be sent to at least three (3) vendors known to specialize in the item or service; however, there are some items and services with fewer than three (3) vendors. A period of two (2) weeks for evaluation and response is recommended for items that are usually made to order, or for service contracts such as line construction. Shorter periods are acceptable for "off the shelf" items or routine services. Quotations are normally accepted in hardcopy, fax, or email format but their contents must be kept confidential until the closing date. Sealed quotations are recommended for purchases above $25,000. The quotations will be reviewed by the appropriate employee(s) after the closing date, and a recommendation made to the appropriate manager. Approval by the President is required for quotes valued above $50,000 for stock items, and above $10,000 for non-stock items or service contracts. Approval by the Vice-President or Secretary-Treasurer is required for quotes valued above $10,000 for stock items, and above $2500. for non-stock items or service contracts. Approval by the appropriate Manager is required for quotes above

$2500 for stock items. Once approval has been obtained, the successful bidder will be immediately notified by the appropriate manager, and a purchase order initiated via a material requisition. The remaining bidders will be notified in writing of the name of the successful bidder and the award price – if appropriate. For routine purchases of items or services such as office supplies, computer support, low value stock items, safety equipment, cleaning supplies, lawn restoration, vacuum excavation, vehicle supplies and vehicle servicing, it is acceptable to request pricing once, then use the same low bidder(s) for a fixed period of time, generally not exceeding two (2) years. For routine purchases of higher value stock items, formal supplier alliances may be formed with the approval of the President.

Standard Purchases – are purchases between $125 and $2500, and are accomplished by issuing a purchase order via a material requisition with approval by manager.

Local Purchase Orders – are used for purchases under $125. These may be issued by any employee but require the approval of a Manager (with the exception of the Mechanic).

Recurring Invoices – are monthly fees typically for services that have been awarded via a quotation or a tender. These invoices are to be approved for payment by the appropriate Manager.

Signing Authority may be delegated if necessary to avoid delays in the purchasing process. This delegation should be documented in a memo or email to the affected parties.

(1) Exceptions to the Tender category are payments relating to Income Tax, Employment Insurance, OHIP, OMERS, Employment Benefits, GST, IMO (monthly invoices), OEFC (debt retirement), Hydro One (Transmission Charges), Energy Retailers, City of Stratford.

(2) Exceptions to the Quotation category include charges such as utility bills, postage, training, accommodations, company meals, customer requests for contractor of choice, contractor on site as part of a related contract or quotation, transformer repairs, scrap transformers, and situations of dire emergency (i.e. storm trouble) when time is of essence.

One-time Costs

Festival has no one-time costs at this time.

Regulatory Costs

Festival proposes to recover in rates $196K in regulatory expenses relating to this application over a five year period (i.e. $39.2K/year). As documented in appendix 2M (E4/T3/S6/A1), Festival has included total regulatory costs in the 2015 test year of $103,100. This includes one fifth of the 2015 cost of service application costs as well as other regulatory costs as documented below. Note that Festival has not included the cost of an oral hearing in its cost of service application costs.

Festival's regulatory costs include:

- Staff development costs (conference fees)
- Licence renewal and fees
- OEB assessment
- Section 30 cost awards
- Application costs (legal costs, consulting fees and other operating costs resulting from regulatory filings, intervenor costs)

In order to prepare an application that meets the standard required by the OEB and to ensure its efficient completion so as to continue with execution of day to day operations of Festival, Festival has retained consultants with expertise in rate making, load forecasting, adoption of new accounting policies, PILS calculations, and the review of LRAM-VA balances and CDM achievements. Festival has also retained an experienced legal counsel familiar with rate making policies and issues in Ontario's electricity industry.

Attachment 1 of 1

OEB Appendix 2-M

File Number:	EB 2014 0073
Exhibit:	4
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Schedule:	6
Attachment:	1
Date:	Rev: 14/11/4

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	Ongoing or One-time Cost? [2]	Last Rebasing Year (2010 Board Approved)	Most Current Actuals (Draft) 2013	2014 Bridge Year	Annual % Change	2015 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1	OEB Annual Assessment	5655		On-Going		$ 56,328	$ 60,000	6.52%	$ 60,000	0.00%
2	OEB Section 30 Costs (Applicant-originated)	5655		On-Going		$ 2,117	$ 3,000	41.71%	$ 3,000	0.00%
3	OEB Section 30 Costs (OEB-initiated)	5655								
4	Expert Witness costs for regulatory matters	5655								
5	Legal costs for regulatory matters	5655		One-Time	$ 14,000	$ 2,738	$ 4,000	46.09%		-100.00%
6	Consultants' costs for regulatory matters	5655		One-Time	$ 14,000	$ 4,000	$ 4,000	0.00%		-100.00%
7	Operating expenses associated with staff resources allocated to regulatory matters	5655		One-Time	$ 6,000					
8	Operating expenses associated with other resources allocated to regulatory matters [1]	5655		One-Time		$ 4,959	$ 1,600	-67.74%		-100.00%
9	Other regulatory agency fees or assessments	5655		On-Going		$ 800	$ 800	0.00%	$ 800	0.00%
10	Any other costs for regulatory matters (please define)	5655		One-Time		$ 29,435	$ 12,000	-59.23%	$ 56,400	370.00%
11	Intervenor costs	5655		One-Time	$ 6,000	$ 3,843		-100.00%		
12	Sub-total - Ongoing Costs [3]		$ -		$ -	$ 57,128	$ 60,800	6.43%	$ 60,800	0.00%
13	Sub-total - One-time Costs [4]		$ -		$ 40,000	$ 47,092	$ 24,600	-47.76%	$ 59,400	141.46%
14	Total		$ -		$ 40,000	$ 104,220	$ 85,400	-18.06%	$ 120,200	40.75%

Please fill out the following table for all one-time costs related to this cost of service application to be amortized over the test year plus the IRM period.

		Historical Year(s)	2014 Bridge Year	2015 Test Year	Application Gross Cost
4	Expert Witness costs				
5	Legal costs			9,000.00	45,000.00
6	Consultants' costs			19,080.00	95,400.00
7	Incremental operating expenses associated with staff resources allocated to this application.			6,520.00	32,600.00
8	Incremental operating expenses associated with other resources allocated to this application. [1]			1,800.00	9,000.00
11	Intervenor costs			20,000.00	100,000.00
				56,400	282,000.00

Low-income Energy Assitance Programs (LEAP)

In 2008, the Ontario Energy Board started consultation with stakeholders to consider the need for, and the nature of, policies that could assist low-income energy consumers. Through that consultation, the OEB identified three components of a “Low-Income Energy Assistance Program”, that could assist low-income energy customers better manage their bill payments and energy costs. These components are: (1) emergency financial assistance (“EFA”); (2) customer service rules; and, (3) targeted conservation and demand management programs.

The delivery of LEAP relies heavily on the cooperation between Festival and its social service agency. Stratford Perth Shelterlink is the lead agency that administers this program within Festival’s service territory. Shelterlink administers the program as well as screens and assesses applicants for eligibility. Since 2011, Festival has contributed to the LEAP – EFA program amounts equal to the Board’s recommended contribution (i.e. equal to 0.125% of Festival’s 2010 COS distribution revenue requirement) and has provided amounts of $11,550, $11,533 and $11,533 in fiscal years 2011, 2012, and 2013, respectively. A similar amount will be provided in 2014. Festival plans to continue with this contribution in 2015 with an amount equal to approximately $13,000 or 0.125% of 2015 COS distribution revenue requirement.

Festival acknowledges that Account 6205 Donations is generally non-recoverable. However, Festival has included the $13,000 in its 2015 test year as a sub of account 6205 for LEAP funding and requests the Board approve rate recovery on this amount.

The test year revenue requirement does not include legacy programs.

Charitable and Political Donations

The amounts paid in charitable donations from the last Board approved rebasing application until (and including) the Test Year are detailed in the table below.

Summary of Charitable Donations							
Description	2010 Board Approved	2010 Actual	2011 Actual	2012 Actual	2013 Draft Actual	2014 Bridge	2015 Test
Salvation Army Stratford Hydro Assistance		4,085					
Stratford General Hospital Building Fund Donation			50,000	50,000	50,000	50,000	50,000
Stratford Perth Shelterlink-Leap Bill Payment Assistance			11,550	11,533	11,533	11,533	13,000
Children's Christmas Party			- 266				
MySafework Donation of Speaker @ Lunchroom Chat				750			
Canadian Cancer Society Donation for Speaker				150			
Central United Church Donation in memory of W. Shrubsall				50			
University of Western Ontario Donation of 3 electric meters				2,343			
Cdn. Mental Health Assoc.-Donation for Joint Health & Safety Meeting Speaker				100			
Stfd. Gen. Hosp. donation in memory of H. Myers				50			
Stfd. Gen. Hosp. MRI Fund in memory of D.McFadden				50			
Huron Perth Centre in memory of J. Bantle				50			
Alzheimer's Society donation in memory of I. Burford				50			
United Way of Perth-Huron recognition of service on board-H. Famme				100			
Sleeping Children Around the World-recognition of service on board-C. Gordon				105			
St. James Anglican Church-Food Bank-recognition of service on board-A. Graff				100			
Leukemia & Lymphoma Society of Canada in memory of R. Nothdurft				50			
Greenwood Court in memory of R. Snider				50			
Canadian Diabetes Assoc. in memory of V.B. Walker					50		
Nithview Community in memory of B. Ingold					50		
Ontario St. Baptist Church in memory of E. Clutton					50		
Miscellaneous donations						1,000	2,000
TOTALS	**-**	**4,085**	**61,284**	**65,531**	**61,683**	**62,533**	**65,000**

Festival has estimated charitable donations of $62,533 for the bridge year and $65,000 for the test year. Both years consider LEAP funding ($11,533 in 2014 and $13,000 in 2015), a $50,000 donation to the Stratford General Hospital, and small memorial donations as made on average in prior years. Festival notes that only the LEAP funding required has been included in the calculation of revenue requirement for 2015 as the other donations are not allowable for rate making purposes.

Festival has not made any political contributions in the period identified in the table above.

Festival Hydro Inc.

File Number: EB-2014-0073

Date Filed: May 29, 2014

Exhibit 4

Tab 4 of 6

Depreciation/Amortization/Depletion

Depreciation/Amortization/Depletion

Regulatory Accounting Changes for Depreciation and Capitalization

Festival's Depreciation Policy is described in Note 1 to Festival's audited financial statements (at E1/T4/S1). Until the 2013 fiscal year, amortization is consistent with Canadian GAAP, the requirements of the CICA, and the requirements of the OEB. Capital assets are amortized on a straight line basis, applying the half-year rule in the year of addition, over the deemed life of the asset.

For 2013, Festival reviewed all depreciation rates and updated them where appropriate so that they more accurately reflected the useful life of each asset component. The process Festival followed to determine where new depreciation rates were applicable was to utilize the Board sponsored Kinectrics study as a guide. From that point, discussions were held with the engineering team, operations team, IT department and any other applicable resource with knowledge of the assets and their useful lives in order to determine a reasonable estimate of the true useful lives of the assets of Festival. The range for asset life expectancy from the Kinectrics report was considered in these discussions, as well as local conditions, experiences and practices in Festival. Festival also considered our existing replacement strategy which may include the replacement of many asset components with varying useful lives. In these scenarios, Festival determined which components would be replaced as a result of an overall project versus its individual useful life and the depreciation rate was applied accordingly. As a final review, a meeting was held with the Festival Senior management team to discuss the asset lives and get final approval to implement the accounting change. This policy change was required by the OEB effective January 1, 2013, and was performed under Canadian GAAP accounting policies, but is also consistent with the requirements of IFRS and therefore was a preparatory step to moving to MIFRS effective January 1, 2015. Due to the transition to MIFRS, Festival will amortize the opening net book value of assets over their average remaining life in 2015. Festival confirms that the useful lives for its asset groups fall within the range allowed in the Board sponsored Kinectrics study.

E4/T1/S1 includes attachments that detail the useful lives used for each fixed asset component as well as the depreciation schedules supporting the depreciation expense amounts included in this application.

Included in E4/T1/S1 is also Festival's draft depreciation policy to be finalized with the finalization of our 2013 audited financial statements April 30, 2014.

Asset Retirement Obligations

At this time Festival does not have any asset retirement obligations and therefore no associated depreciation.

Average Remaining Useful Life of Opening Balance of Assets on January 1, 2013

Festival has prepared the following table detailing the remaining life of the opening balance of assets on January 1, 2013, the date of making the depreciation policy changes documented above.

Account	Description	Opening Cost as at Jan 1, 2013	Opening Accumulated Depreciation as at Jan 1, 2013	Opening NBV as at Jan 1, 2013	Average Remaining Life of Opening NBV (years)
1611	Computer Software (Formally known as Account 1925)	$ 723,669	-$ 565,560	$ 158,109	2.93
1805	Land **	1,239,823	0	1,239,823	
1808	Buildings	1,598,122	-1,015,006	583,116	24.60
1809	Buildings - Other	73,993	-59,562	14,431	3.95
1820	Distribution Station Equipment <50 kV	1,745,896	-1,446,935	298,960	6.77
1830	Poles, Towers & Fixtures	6,638,565	-3,064,152	3,574,413	52.39
1831	Wooden Poles	1,508,015	-981,987	526,028	43.56
1832	Overhead Fixtures	8,178,710	-3,472,937	4,705,773	32.67
1833	Line switches	1,564,194	-658,846	905,347	148.78
1834	Integral switches	498,775	-104,332	394,443	39.80
1835	Overhead Conductors & Devices	7,771,342	-3,670,853	4,100,489	54.21
1836	Reclosers	216,401	-33,327	183,074	36.20
1837	Capacitor banks	46,785	-7,486	39,300	26.00

1840	Underground Conduit	7,026,175	-4,324,339	2,701,836	39.94
1841	Underground Foundations	1,971,228	-1,116,639	854,588	46.33
1844	UG cable - non TR	7,090,020	-6,625,393	464,627	1.62
1845	Underground Conductors & Devices	8,490,392	-4,066,909	4,423,483	30.15
1846	Underground Switchgear	1,143,051	-571,478	571,573	13.38
1850	Line Transformers - Aerial	8,007,191	-5,689,262	2,317,929	21.87
1851	Padmount transformers	6,090,308	-3,042,345	3,047,963	36.76
1852	Submersible transformers	32,638	-32,638	0	-
1855	Services Underground	3,490,761	-1,786,011	1,704,750	29.17
1856	Services Overhead	1,086,713	-885,576	201,137	49.33
1860	Meters	2,873,553	-2,198,167	675,385	5.56
1861	Current and Potential transformers	392,884	-191,138	201,746	33.34
1862	Primary meters	402,376	-140,906	261,470	11.13
1863	Wholesale meters	222,130	-68,303	153,828	12.27
1880	Meters (Smart Meters)	3,630,088	-578,254	3,051,834	7.57
1890	Major Spare parts	489,209	0	489,209	
1905	Land	17,041	-17,041	0	
1907	Building - Heating & Cooling	150,703	-30,391	120,311	2.37
1908	Buildings & Fixtures	388,575	-71,818	316,757	19.59
1910	Leasehold Improvements	21,798	-21,798	0	
1915	Office Furniture & Equipment (10 years)	381,569	-343,300	38,269	4.98
1920	Computer Equipment - Hardware	540,191	-540,191	0	
1920	Computer Equip.-Hardware(Post Mar. 22/04)	75,674	-75,674	0	
1920	Computer Equip.-Hardware(Post Mar. 19/07)	484,082	-360,829	123,253	2.85
1930	Transportation Equipment	2,972,749	-2,041,456	931,293	8.93
1931	Small trucks	83,621	-31,273	52,348	8.29
1935	Stores Equipment	36,199	-36,199	0	
1940	Tools, Shop & Garage Equipment	805,781	-664,501	141,280	4.92
1945	Measurement & Testing Equipment	39,170	-26,291	12,879	4.00
1955	Communications Equipment	106,528	-105,866	662	2.25
1960	Miscellaneous Equipment	7,842	-3,921	3,921	5.00
1970	Load Management Controls Customer Premises	245,119	-176,672	68,447	2.77
1980	System Supervisor Equipment	353,504	-253,228	100,276	11.71
1995	Contributions & Grants	-4,747,715	1,299,487	-3,448,228	36.13
2075	Non Rate-Regulated Utility Property	294,688	-22,102	272,587	18.34
2055	Construction work in progress **	8,113,559	0	8,113,559	

1609	Intangible assets **	535,630	0	535,630	28.82
		$95,149,318	**-$49,921,410**	$45,227,908	

Depreciation Appendices

The depreciation appendices attached provide the following data:

- 2-CL = 2014 under MIFRS
- 2-CM = 2015 under MIFRS
- 2-CR = 2012 CGAAP no policy changes
- 2-CS = 2013 CGAAP no policy changes
- 2-CT = 2013 CGAAP new policies
- 2-CU = 2014 CGAAP new policies

Depreciation expense summary under old and new policies as applicable as well as a build up of variance account 1576 are provided in the tables below.

Depreciation Expense Summary										
Year	**Method**	**2AB (all assets)**	**2CR**	**2CS**	**2CT**	**2CU**	**2CL**	**2CM**	**Difference**	**Explanation**
2010	Old Policies	2,785,908	NOT REQUIRED							
2011	Old Policies	2,797,881	NOT REQUIRED							
2012	Old Policies	3,457,023	2,938,519						518,504	VR described at bottom of 2CR
2013	Old Policies	3,117,621		3,142,250					24,629	VR described at bottom of 2CT
2013	New Policies	2,129,199			2,142,308				- 13,109	VR described at bottom of 2CS
2014	Old Policies	3,190,062	NOT REQUIRED							
2014	New Policies	1,915,841				1,915,843			- 2	Rounding
2014	MIFRS	1,848,900					1,848,901		- 1	Rounding
2015	MIFRS	2,694,148						2,159,542	534,606	VR described at bottom of 2CM

1576 Variance Account Detail						
Year	**Method**	**2AB dep for RR assets net of disposals**	**Dep. Diff for 1576**	**2AB RR Only Net Add'ns**	**OH Diff for 1576**	**Net Diff**
2013	Old Policies	3,071,957	988,551	5,157,572	- 251,518	737,033
2013	New Policies	2,083,406		4,906,054		
2014	Old Policies	3,175,328	954,162	2,790,817	- 167,816	786,346
2014	New Policies	1,900,978		2,623,001		
2014	TS	320,188				
Expected 1576 VR Account						1,523,379

***Note that actual VR account reported is $581 higher based on slightly revised calculations, amount immaterial to change at this time*

Attachment 1 of 4

Festival 2013 Depreciation Policy

1. Significant accounting policies (continued):

(d) Inventory:

Inventory consists primarily of consumable materials related to the maintenance of the electricity distribution infrastructure. The Company classifies major construction related components of it's to plant and equipment. Once capitalized, these items are not depreciated until put into service. Inventory is carried at the lower of cost and market, with cost determined on an average cost basis.

(e) Plant and equipment:

Plant and equipment assets are recorded at cost and are amortized on a straight-line basis at varying rates estimated to write-off the cost of each asset over its useful life. During 2013, the Company changed its estimate of the useful lives of depreciable assets effective January 1, 2013 as follows:

Asset	Useful life - 2013	Useful life - 2012
Distribution lines, overhead	30 - 60 years	25 years
Transformers	35 - 40 years	25 years
Services	40 - 60 years	25 years
Meters	15 - 40 years	25 years
Buildings	10 - 60 years	50 years
Transportation equipment	10 - 20 years	5 - 8 years
Distribution lines, underground	25 - 55 years	25 years
Computer equipment	5 years	5 years
Smart meters	10 years	15 years
Distribution equipment	40 years	35 years
Other equipment	10 years	10 years
Office equipment	8 - 10 years	8 - 10 years
Solar generation	20 years	20 years
Contributed capital	40 - 60 years	25 years
Transformer station (2012 - WIP)	15 - 60 years	N/A

The impact of changes to estimated useful lives have been applied prospectively and have had the effect of decreasing depreciation expense in 2013 by $951,058.

Eligible capital expenditures approved under the OEB's Incremental Capital Module (ICM) are reclassified from construction work in progress to regulatory assets once the asset is determined to be in service. The assets are depreciated within the regulatory ICM Variance Account over the estimated useful lives. At the next Cost of Service Rate application, upon OEB approval, the net book value of the assets will be included in the LDC's rate base and the assets transferred from the ICM Variance Account back to their applicable plant and

1. Significant accounting policies (continued):

equipment asset and accumulated amortization accounts.

Maintenance and repair items are expensed as incurred. Additions, renewals or betterments are capitalized. Any normal gain or loss on sale or retirement of buildings or equipment is included in the statement of earnings and retained earnings in the year of disposal.

The cost of plant and equipment represents the original cost, consisting of direct materials, labour, contracted services and overhead directly attributable to the capital project. It may also include an allowance for funds during construction for larger projects spanning over a period of twelve months, as prescribed in the OEB's Accounting Procedures Handbook.

Festival Hydro

Attachment 2 of 4

OEB Appendix 2-BB

File Number:	EB 2014 0073
Exhibit:	4
Tab:	4
Schedule:	1
Attachment:	2
Date:	25-Apr-14

Appendix 2-BB
Service Life Comparison
Table F-1 from Kinetrics Report[1]

		Asset Details			Useful Life			USoA Account Number	USoA Account Description	Current		Proposed	
Parent*	#	Category| Component | Type			MIN UL	TUL	MAX UL			Years	Rate	Years	Rate
OH	1	Fully Dressed Wood Poles	Overall		35	45	75	1830	Poles	25	4%	45	2%
			Cross Arm	Wood	20	40	55	1830	Poles	25	4%	40	3%
				Steel	30	70	95	1830	Poles	25	4%	40	3%
	2	Fully Dressed Concrete Poles	Overall		50	60	80	1830	Poles	25	4%	60	2%
			Cross Arm	Wood	20	40	55	1830	Poles	25	4%	40	3%
				Steel	30	70	95	1830	Poles	25	4%	40	3%
	3	Fully Dressed Steel Poles	Overall		60	60	80						
			Cross Arm	Wood	20	40	55						
				Steel	30	70	95						
	4	OH Line Switch			30	45	55	1835	Overhead Conductors and Devices	25	4%	45	2%
	5	OH Line Switch Motor			15	25	25						
	6	OH Line Switch RTU			15	20	20						
	7	OH Integral Switches			35	45	60	1835	Overhead Conductors and Devices	25	4%	45	2%
	8	OH Conductors			50	60	75	1835	Overhead Conductors and Devices	25	4%	60	2%
								1855	Services	25	4%	60	2%
	9	OH Transformers & Voltage Regulators			30	40	60	1850	Line Transformers	25	4%	40	3%
	10	OH Shunt Capacitor Banks			25	30	40	1835	Overhead Conductors and Devices	25	4%	30	3%
	11	Reclosers			25	40	55	1835	Overhead Conductors and Devices	25	4%	40	3%
TS & MS	12	Power Transformers	Overall		30	45	60	1820	Distribution Station Equipment <50 kV	35	3%	40	3%
								1815	Transformer Station Equipment >50 kV	25	4%	45	2%
			Bushing		10	20	30	1815	Transformer Station Equipment >50 kV	25	4%	20	5%
			Tap Changer		20	30	60						
	13	Station Service Transformer			30	45	55						
	14	Station Grounding Transformer			30	40	40						
	15	Station DC System	Overall		10	20	30						
			Battery Bank		10	15	15						
			Charger		20	20	30						
	16	Station Metal Clad Switchgear	Overall		30	40	60	1815	Transformer Station Equipment >50 kV	25	4%	45	2%
			Removable Breaker		25	40	60						
	17	Station Independent Breakers			35	45	65						
	18	Station Switch			30	50	60	1815	Transformer Station Equipment >50 kV	25	4%	50	2%
	19	Electromechanical Relays			25	35	50						
	20	Solid State Relays			10	30	45	1815	Transformer Station Equipment >50 kV	25	4%		
	21	Digital & Numeric Relays			15	20	20						
	22	Rigid Busbars			30	55	60	1815	Transformer Station Equipment >50 kV	25	4%	55	2%
	23	Steel Structure			35	50	90	1815	Transformer Station Equipment >50 kV	25	4%	60	2%
UG	24	Primary Paper Insulated Lead Covered (PILC) Cables			60	65	75						
	25	Primary Ethylene-Propylene Rubber (EPR) Cables			20	25	25						
	26	Primary Non-Tree Retardant (TR) Cross Linked Polyethylene (XLPE) Cables Direct Buried			20	25	30	1845	Underground Conductors and Devices	25	4%	25	4%
	27	Primary Non-TR XLPE Cables in Duct			20	25	30	1845	Underground Conductors and Devices	25	4%	25	4%
	28	Primary TR XLPE Cables Direct Buried			25	30	35						
	29	Primary TR XLPE Cables in Duct			35	40	55	1845	Underground Conductors and Devices	25	4%	40	3%
	30	Secondary PILC Cables			70	75	80						
	31	Secondary Cables Direct Buried			25	35	40						
	32	Secondary Cables in Duct			35	40	60	1855	Services	25	4%	40	3%
	33	Network Tranformers	Overall		20	35	50						
			Protector		20	35	40						
	34	Pad-Mounted Transformers			25	40	45	1850	Line Transformers	25	4%	40	3%
	35	Submersible/Vault Transformers			25	35	45	1850	Line Transformers	25	4%	35	3%
	36	UG Foundation			35	55	70	1850	Line Transformers	25	4%	55	2%
	37	UG Vaults	Overall		40	60	80	1850	Line Transformers	25	4%	55	2%
			Roof		20	30	45	1850	Line Transformers	25	4%	55	2%
	38	UG Vault Switches			20	35	50						
	39	Pad-Mounted Switchgear			20	30	45	1845	Underground Conductors and Devices	25	4%	30	3%
	40	Ducts			30	50	85	1840	Underground Conduit	25	4%	50	2%
	41	Concrete Encased Duct Banks			35	55	80	1840	Underground Conduit	25	4%	50	2%
	42	Cable Chambers			50	60	80	1840	Underground Conduit	25	4%	50	2%
S	43	Remote SCADA			15	20	30	1980	System Supervisory Equipment	10	10%	15	7%

Table F-2 from Kinetrics Report[1]

	Asset Details		Useful Life Range	USoA Account Number	USoA Account Description	Current		Proposed	
#	Category| Component | Type					Years	Rate	Years	Rate
1	Office Equipment		5-15						
2	Vehicles	Trucks & Buckets	5-15	1930	Transportation equipment	8	13%	12	8%
		Trailers	5-20	1930	Transportation equipment	5	20%	20	5%
		Vans	5-10	1930	Transportation equipment	5	20%	10	10%
3	Administrative Buildings	Buildings	50-75	1808	Buildings and Fixtures	60	2%	60	2%
		Buildings		1809	Buildings and Fixtures	30	3%	60	2%
		HVAC equipment		1908	Buildings and Fixtures	10	10%	10	10%
		Buildings		1908	Buildings and Fixtures	30	3%	60	2%
		Parking	25-30	1908	Buildings and Fixtures	30	3%	30	3%
		Fence	25-60	1908	Buildings and Fixtures	30	3%	30	3%
		Roof	20-30	1908	Buildings and Fixtures	30	3%	20	5%
4	Leasehold Improvements		Lease dependent	1910	Leasehold improvements	5	20%	5	20%
5	Station Buildings	Station Buildings	50-75	1808	Buildings and Fixtures	60	2%	60	2%
		Parking	25-30						
		Fence	25-60						
		Roof	20-30						
6	Computer Equipment	Hardware	3-5	1920	Computer Equipment - hardware	5	20%	5	20%
		Software	2-5	1925	Computer Software	5	20%	5	20%
7	Equipment	Power Operated	5-10						
		Stores	5-10	1935	Stores equipment	10	10%	10	10%
		Tools, Shop, Garage Equipment	5-10	1940	Tools, Shop and garage equipment	10	10%	10	10%
		Measurement & Testing Equipment	5-10	1945	Measure & testing Equipment	8	13%	8	13%
8	Communication	Towers	60-70						
		Wireless	2-10	1955	Communication equipment	10	10%	10	10%
9	Residential Energy Meters		25-35	1860	Meters	25	4%	15	7%
10	Industrial/Commercial Energy Meters		25-35	1860	Meters	25	4%	15	7%
	Primary Energy Meters			1860	Meters	25	4%	20	5%
11	Wholesale Energy Meters		15-30	1860	Meters	25	4%	20	5%
12	Current & Potential Transformer (CT & PT)		35-50	1860	Meters	25	4%	40	3%
13	Smart Meters		5-15	1880	Smart meters	15	7%	10	10%
14	Repeaters - Smart Metering		10-15	1880	Smart meters	15	7%	10	10%
15	Data Collectors - Smart Metering		15-20	1880	Smart meters	15	7%	10	10%

*** TS & MS = Transformer and Municipal Stations UG = Underground Systems S = Monitoring and Control Systems**

Note 1: Tables F-1 and F-2 above are to be used as a reference in order to complete columns J, K, L and N.
See pages 17-19 of Kinetrics Report

Attachment 3 of 4

OEB Appendix 2 - CJ/CK/CL/CM

File Number:	EB 2014 0073
Exhibit:	4
Tab:	4
Schedule:	1
Attachment:	3
Date:	25-Apr-14

Appendix 2-CL
Depreciation and Amortization Expense

Assumes the applicant adopted IFRS for financial reporting purposes January 1, 2015

Year 2014 MIFRS

Account	Description	Opening NBV as at Jan 1, 2014 [5] (a)	Additions (d)	Average Remaining Life of Opening NBV [4] (i)	Years (new additions only) [3] (f)	Depreciation Rate on New Additions (g) = 1 / (f)	Depreciation Expense on Opening NBV (j) = (a) / (i)	Depreciation Expense on Additions [1] (h)=((d)*0.5)/(f)	2014 Depreciation Expense (k) = (j) + (h)	2014 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (k) - (l)	Depreciation Expense on 2014 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2014 Full Year Depreciation [6] (p) = (j) + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 187,106	$ 252,000	2.71	5.00	20.00%	$ 69,035	$ 25,200	$ 94,235	$ 94,235	-$ 0	$ 50,400	$ 16,034	$ 103,401
1612	Land Rights (Formally known as Account 1906)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1805	Land	$ 338,728	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1808	Buildings	$ 483,796	$ -	13.53	60.00	1.67%	$ 35,767	$ -	$ 35,767	$ 35,767	-$ 0	$ -		$ 35,767
1808	Buildings	$ 10,775	$ -	2.95	60.00	1.67%	$ 3,655	$ -	$ 3,655	$ 3,656	-$ 0	$ -		$ 3,655
1810	Leasehold Improvements	$ -	$ -	-	5.00	20.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV	$ 0	$ -	45.72	45.81	2.18%	$ 0	$ -	$ 0	$ -	$ 0	$ -		$ 0
1815	Transformer Station Equipment >50 kV	-$ 0	$ -	38.00	38.08	2.63%	-$ 0	$ -	-$ 0	$ -	-$ 0	$ -		-$ 0
1815	Transformer Station Equipment >50 kV	$ 0	$ -	52.26	52.34	1.91%	$ 0	$ -	$ 0	$ -	$ 0	$ -		$ 0
1820	Distribution Station Equipment <50 kV	$ 254,797	$ -	9.15	40.00	2.50%	$ 27,835	$ -	$ 27,835	$ 27,835	-$ 0	$ -		$ 27,835
1825	Storage Battery Equipment	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1830	Poles, Towers & Fixtures	$ 3,753,088	$ 254,611	51.51	60.00	1.67%	$ 72,868	$ 2,122	$ 74,989	$ 74,989	-$ 0	$ 4,244	$ 960	$ 76,151
1830	Poles, Towers & Fixtures	$ 605,716	$ 61,874	39.85	45.00	2.22%	$ 15,199	$ 687	$ 15,886	$ 15,886	-$ 0	$ 1,375	$ 229	$ 16,344
1830	Poles, Towers & Fixtures	$ 4,851,310	$ 437,619	31.91	40.00	2.50%	$ 152,008	$ 5,470	$ 157,478	$ 157,478	-$ 0	$ 10,940	$ 2,019	$ 160,930
1835	Overhead Conductors & Devices	$ 981,559	$ 58,557	36.70	45.00	2.22%	$ 26,743	$ 651	$ 27,394	$ 27,393	$ 2	$ 1,301	$ 238	$ 27,807
1835	Overhead Conductors & Devices	$ 384,532	$ -	38.80	45.00	2.22%	$ 9,911	$ -	$ 9,911	$ 9,911	$ -	$ -		$ 9,911
1835	Overhead Conductors & Devices	$ 4,367,212	$ 280,339	52.35	60.00	1.67%	$ 83,417	$ 2,336	$ 85,753	$ 85,753	$ 0	$ 4,672	$ 833	$ 87,257
1835	Overhead Conductors & Devices	$ 178,016	$ -	35.20	40.00	2.50%	$ 5,058	$ -	$ 5,058	$ 5,058	$ 0	$ -		$ 5,058
1835	Overhead Conductors & Devices	$ 37,788	$ -	25.00	30.00	3.33%	$ 1,512	$ -	$ 1,512	$ 1,512	$ -	$ -		$ 1,512
1840	Underground Conduit	$ 2,784,659	$ 187,241	38.86	50.00	2.00%	$ 71,654	$ 1,872	$ 73,526	$ 73,526	-$ 0	$ 3,745		$ 75,399
1840	Underground Conduit	$ 917,613	$ 53,489	46.02	55.00	1.82%	$ 19,940	$ 486	$ 20,426	$ 20,426	$ 0	$ 973		$ 20,912
1845	Underground Conductors & Devices	$ 126,586	$ -	17.26	25.00	4.00%	$ 7,335	$ -	$ 7,335	$ 7,335	$ 0	$ -		$ 7,335
1845	Underground Conductors & Devices	$ 5,088,054	$ 164,000	30.51	40.00	2.50%	$ 166,789	$ 2,050	$ 168,839	$ 168,839	-$ 0	$ 4,100		$ 170,889
1845	Underground Conductors & Devices	$ 638,379	$ 110,000	21.41	30.00	3.33%	$ 29,815	$ 1,833	$ 31,649	$ 31,649	$ 0	$ 3,667	$ 1,205	$ 32,277
1850	Line Transformers	$ 2,231,961	$ 138,256	30.24	40.00	2.50%	$ 73,815	$ 1,728	$ 75,544	$ 75,544	$ -	$ 3,456	$ 231	$ 77,040
1850	Line Transformers	$ 3,144,495	$ 138,256	29.78	40.00	2.50%	$ 105,605	$ 1,728	$ 107,333	$ 107,333	$ -	$ 3,456	$ 34	$ 109,027
1850	Line Transformers	$ -	$ -	-	35.00	2.86%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1855	Services	$ 1,735,665	$ 143,946	28.24	40.00	2.50%	$ 61,458	$ 1,799	$ 63,257	$ 63,257	$ 0	$ 3,599		$ 65,057
1855	Services	$ 210,052	$ 44,813	48.90	60.00	1.67%	$ 4,295	$ 373	$ 4,669	$ 4,669	$ 0	$ 747		$ 5,042
1860	Meters	$ 305,358	$ 123,500	11.93	15.00	6.67%	$ 25,602	$ 4,117	$ 29,719	$ 29,719	$ 0	$ 8,233		$ 33,836
1860	Meters	$ 216,223	$ 9,500	32.91	40.00	2.50%	$ 6,570	$ 119	$ 6,689	$ 6,689	$ 0	$ 238		$ 6,808
1860	Meters	$ 237,982	$ -	10.13	20.00	5.00%	$ 23,488	$ -	$ 23,488	$ 23,488	$ -	$ -		$ 23,488
1860	Meters	$ 141,287	$ -	11.27	20.00	5.00%	$ 12,540	$ -	$ 12,540	$ 12,540	$ -	$ -		$ 12,540
1860	Meters	$ 2,681,016	$ 57,000	6.60	10.00	10.00%	$ 406,279	$ 2,850	$ 409,129	$ 409,129	-$ 0	$ 5,700		$ 411,979
1890	Major Spare parts	$ 468,946	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1905	Land	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1908	Buildings & Fixtures	$ 69,037	$ 20,000	4.84	10.00	10.00%	$ 14,278	$ 1,000	$ 15,278	$ 15,278	$ -	$ 2,000	$ 2,247	$ 14,031
1908	Buildings & Fixtures	$ 337,908	$ 60,000	19.33	30.00	3.33%	$ 17,477	$ 1,000	$ 18,477	$ 18,477	-$ 0	$ 2,000		$ 19,477
1910	Leasehold Improvements	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 34,088	$ -	5.95	10.00	10.00%	$ 5,733	$ -	$ 5,733	$ 5,733	-$ 0	$ -	$ 219	$ 5,513
1915	Office Furniture & Equipment (5 years)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1920	Computer Equipment - Hardware	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ 269,707	$ 38,000	3.73	5.00	20.00%	$ 72,229	$ 3,800	$ 76,029	$ 76,029	-$ 0	$ 7,600	$ 1,698	$ 78,131
1930	Transportation Equipment	$ 826,985	$ 30,000	7.93	20.00	5.00%	$ 104,308	$ 750	$ 105,058	$ 105,058	$ 0	$ 1,500		$ 105,808
1930	Transportation Equipment	$ 76,580	$ 30,000	8.04	10.00	10.00%	$ 9,530	$ 1,500	$ 11,030	$ 11,030	$ 0	$ 3,000		$ 12,530
1935	Stores Equipment	$ -	$ -	-	10.00	10.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1940	Tools, Shop & Garage Equipment	$ 132,336	$ 30,000	4.68	10.00	10.00%	$ 28,290	$ 1,500	$ 29,790	$ 29,790	-$ 0	$ 3,000	$ 3,951	$ 27,339
1945	Measurement & Testing Equipment	$ 9,659	$ -	3.00	8.00	12.50%	$ 3,220	$ -	$ 3,220	$ 3,220	$ -	$ -		$ 3,220
1950	Power Operated Equipment	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1955	Communications Equipment	$ 367	$ -	1.25	10.00	10.00%	$ 295	$ -	$ 295	$ 295	-$ 0	$ -	$ 258	$ 36
1955	Communication Equipment (Smart Meters)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1960	Miscellaneous Equipment	$ 3,137	$ -	4.00	10.00	10.00%	$ 784	$ -	$ 784	$ 784	$ 0	$ -		$ 784
1970	Load Management Controls Customer Premises	$ 43,749	$ -	1.77	10.00	10.00%	$ 24,698	$ -	$ 24,698	$ 24,698	$ -	$ -	$ 9,890	$ 14,808
1975	Load Management Controls Utility Premises	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1980	System Supervisor Equipment	$ 114,767	$ 50,000	11.31	15.00	6.67%	$ 10,151	$ 1,667	$ 11,817	$ 11,817	$ 0	$ 3,333		$ 13,484
1985	Miscellaneous Fixed Assets	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1990	Other Tangible Property	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1995	Contributions & Grants	-$ 3,499,578	-$ 150,000	35.22	42.73	2.34%	-$ 99,367	-$ 1,755	-$ 101,122	-$ 101,122	-$ 0	-$ 3,510		-$ 102,877
2075	Non-utility property owned under capital lease	$ 257,724	$ -	17.34	20.00	5.00%	$ 14,863	$ -	$ 14,863	$ 14,863	$ 0	$ -		$ 14,863
2055	Construction work in progress	$ -	$ -	43.52	43.61	2.29%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1609	Intangible assets	$ 1,691,748	$ -	28.51	27.95	3.58%	$ 59,334	$ -	$ 59,334	$ 59,334	$ 0	$ -		$ 59,334
	Total	**$ 37,730,918**	**$ 2,623,000**				**$ 1,784,017**	**$ 64,884**	**$ 1,848,901**	**$ 1,848,900**	**$ 1**	**$ 129,769**	**$ 40,047**	**$ 1,873,739**
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets)								$ -					
	Total								$ 1,848,901					

File Number:	EB 2014 0073
Exhibit:	4
Tab:	4
Schedule:	1
Attachment:	3
Date:	25-Apr-14

Appendix 2-CM
Depreciation and Amortization Expense

Assumes the applicant adopted IFRS for financial reporting purposes January 1, 2015

Year 2015 change to MIFRS within 2015

Account	Description	Opening NBV as at Jan 1, 2015 [5] (a)	Additions (d)	Average Remaining Life of Opening NBV [4] (i)	Years (new additions only) [3] (f)	Depreciation Rate on New Additions (g) = 1 / (f)	Depreciation Expense on Opening NBV (j) = (a) / (i)	Depreciation Expense on Additions [1] (h)=((d)*0.5)/(f)	2015 Depreciation Expense (k) = (j) + (h)	2015 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (k) - (l)	Depreciation Expense on 2015 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2015 Full Year Depreciation [6] (p) = (j) + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 344,871	$ 215,000	3.34	5.00	20.00%	$ 103,401	$ 21,500	$ 124,901	$ 124,901	-$ 0	$ 43,000	$ 16,034	$ 130,368
1612	Land Rights (Formally known as Account 1906)	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1805	Land	$ 338,728	$ 913,473			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1808	Buildings	$ 521,258	$ -	13.66	60.00	1.67%	$ 38,156	$ -	$ 38,156	$ 38,156	-$ 0	$ -	$ 24,985	$ 13,171
1808	Buildings	$ 7,120	$ -	1.95	60.00	1.67%	$ 3,655	$ -	$ 3,655	$ 3,656	-$ 0	$ -	$ 2,081	$ 1,575
1810	Leasehold Improvements	$ -	$ -		5.00	20.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV	$ 0	$13,961,840	42.52	43.61	2.29%	$ 0	$ 160,094	$ 160,094	$ 667,059	-$ 506,965	$ 320,188		$ 320,188
1815	Transformer Station Equipment >50 kV	-$ 0	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV	$ 0	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1820	Distribution Station Equipment <50 kV	$ 226,962	$ -	8.15	40.00	2.50%	$ 27,835	$ -	$ 27,835	$ 27,835	-$ 0	$ -	$ 14,703	$ 13,132
1825	Storage Battery Equipment	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1830	Poles, Towers & Fixtures	$ 3,981,416	$ 201,792	51.41	60.00	1.67%	$ 77,438	$ 1,682	$ 79,120	$ 79,120	-$ 0	$ 3,363	$ 1,287	$ 79,515
1830	Poles, Towers & Fixtures	$ 684,202	$ 49,038	38.26	45.00	2.22%	$ 17,884	$ 545	$ 18,429	$ 18,429	$ -	$ 1,090	$ 1,585	$ 17,389
1830	Poles, Towers & Fixtures	$ 5,176,695	$ 382,954	31.67	40.00	2.50%	$ 163,467	$ 4,787	$ 168,253	$ 168,253	-$ 0	$ 9,574	$ 2,593	$ 170,447
1835	Overhead Conductors & Devices	$ 1,019,118	$ 47,032	36.29	45.00	2.22%	$ 28,085	$ 523	$ 28,607	$ 28,607	$ 0	$ 1,045	$ 290	$ 28,840
1835	Overhead Conductors & Devices	$ 374,622	$ -	37.80	45.00	2.22%	$ 9,911	$ -	$ 9,911	$ 9,911	-$ 0	$ -		$ 9,911
1835	Overhead Conductors & Devices	$ 4,634,014	$ 222,184	52.05	60.00	1.67%	$ 89,034	$ 1,852	$ 90,885	$ 90,885	$ 0	$ 3,703	$ 1,810	$ 90,927
1835	Overhead Conductors & Devices	$ 172,959	$ -	34.20	40.00	2.50%	$ 5,058	$ -	$ 5,058	$ 5,058	-$ 0	$ -		$ 5,058
1835	Overhead Conductors & Devices	$ 36,277	$ -	24.00	30.00	3.33%	$ 1,512	$ -	$ 1,512	$ 1,512	$ -	$ -		$ 1,512
1840	Underground Conduit	$ 2,898,373	$ 188,546	38.44	50.00	2.00%	$ 75,399	$ 1,885	$ 77,284	$ 77,284	-$ 0	$ 3,771		$ 79,170
1840	Underground Conduit	$ 950,676	$ 54,194	45.46	55.00	1.82%	$ 20,912	$ 493	$ 21,405	$ 21,405	-$ 0	$ 985		$ 21,898
1845	Underground Conductors & Devices	$ 167,469	$ -	16.18	25.00	4.00%	$ 10,348	$ -	$ 10,348	$ 10,348	$ 0	$ -	$ 3,013	$ 7,335
1845	Underground Conductors & Devices	$ 5,097,786	$ 165,000	29.68	40.00	2.50%	$ 171,763	$ 2,063	$ 173,826	$ 173,826	-$ 0	$ 4,125	$ 874	$ 175,014
1845	Underground Conductors & Devices	$ 716,871	$ 110,000	22.19	30.00	3.33%	$ 32,313	$ 1,833	$ 34,146	$ 34,146	$ 0	$ 3,667	$ 35	$ 35,944
1850	Line Transformers	$ 2,328,224	$ 142,403	29.66	40.00	2.50%	$ 78,496	$ 1,780	$ 80,276	$ 80,276	$ 0	$ 3,560	$ 1,687	$ 80,369
1850	Line Transformers	$ 3,240,879	$ 142,403	28.87	40.00	2.50%	$ 112,266	$ 1,780	$ 114,046	$ 114,046	$ 0	$ 3,560	$ 3,273	$ 112,553
1850	Line Transformers	$ -	$ -	-	35.00	2.86%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1855	Services	$ 1,816,354	$ 145,620	27.92	40.00	2.50%	$ 65,057	$ 1,820	$ 66,877	$ 66,877	$ 0	$ 3,641		$ 68,697
1855	Services	$ 250,196	$ 45,334	49.62	60.00	1.67%	$ 5,042	$ 378	$ 5,420	$ 5,420	$ -	$ 756		$ 5,798
1860	Meters	$ 633,676	$ 113,750	9.32	15.00	6.67%	$ 67,970	$ 3,792	$ 71,762	$ 71,762	$ 0	$ 7,583	$ 34,262	$ 41,292
1860	Meters	$ 219,034	$ 8,750	32.17	40.00	2.50%	$ 6,808	$ 109	$ 6,917	$ 6,917	$ 0	$ 219		$ 7,027
1860	Meters	$ 214,494	$ -	9.13	20.00	5.00%	$ 23,488	$ -	$ 23,488	$ 23,488	$ -	$ -		$ 23,488
1860	Meters	$ 128,747	$ -	10.27	20.00	5.00%	$ 12,540	$ -	$ 12,540	$ 12,540	$ 0	$ -		$ 12,540
1860	Meters	$ 2,328,887	$ 52,500	5.65	10.00	10.00%	$ 411,979	$ 2,625	$ 414,604	$ 414,604	-$ 0	$ 5,250		$ 417,229
1890	Major Spare parts	$ 468,946	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1905	Land	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1908	Buildings & Fixtures	$ 78,348	$ -	4.55	10.00	10.00%	$ 17,220	$ -	$ 17,220	$ 17,220	-$ 0	$ -	$ 3,189	$ 14,031
1908	Buildings & Fixtures	$ 379,430	$ 90,000	19.48	30.00	3.33%	$ 19,477	$ 1,500	$ 20,977	$ 20,977	-$ 0	$ 3,000		$ 22,477
1910	Leasehold Improvements	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 28,355	$ -	5.14	10.00	10.00%	$ 5,513	$ -	$ 5,513	$ 5,513	-$ 0	$ -	$ 167	$ 5,346
1915	Office Furniture & Equipment (5 years)	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1920	Computer Equipment - Hardware	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ 231,678	$ 30,000	2.97	5.00	20.00%	$ 78,131	$ 3,000	$ 81,131	$ 81,131	-$ 0	$ 6,000	$ 1,698	$ 82,432
1930	Transportation Equipment	$ 751,927	$ 105,000	7.11	12.00	8.33%	$ 105,808	$ 4,375	$ 110,183	$ 110,183	$ 0	$ 8,750	$ 1,428	$ 113,131
1930	Transportation Equipment	$ 95,550	$ 30,000	7.63	10.00	10.00%	$ 12,530	$ 1,500	$ 14,030	$ 14,030	$ 0	$ 3,000		$ 15,530
1935	Stores Equipment	$ -	$ -		10.00	10.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1940	Tools, Shop & Garage Equipment	$ 132,546	$ 30,000	4.85	10.00	10.00%	$ 27,339	$ 1,500	$ 28,839	$ 28,839	-$ 0	$ 3,000	$ 2,380	$ 27,958
1945	Measurement & Testing Equipment	$ 6,439	$ -	2.00	8.00	12.50%	$ 3,220	$ -	$ 3,220	$ 3,220	$ 0	$ -		$ 3,220
1950	Power Operated Equipment	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1955	Communications Equipment	$ 72	$ -	2.00	10.00	10.00%	$ 36	$ -	$ 36	$ 36	-$ 0	$ -		$ 36
1955	Communication Equipment (Smart Meters)	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1960	Miscellaneous Equipment	$ 2,353	$ -	3.00	10.00	10.00%	$ 784	$ -	$ 784	$ 784	$ 0	$ -		$ 784
1970	Load Management Controls Customer Premises	$ 19,052	$ -	1.29	10.00	10.00%	$ 14,808	$ -	$ 14,808	$ 14,808	-$ 0	$ -	$ 10,565	$ 4,243
1975	Load Management Controls Utility Premises	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1980	System Supervisor Equipment	$ 152,950	$ 50,000	11.34	15.00	6.67%	$ 13,484	$ 1,667	$ 15,151	$ 15,151	$ 0	$ 3,333		$ 16,817
1985	Miscellaneous Fixed Assets	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1990	Other Tangible Property	$ -	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1995	Contributions & Grants	-$ 3,548,456	-$ 150,000	34.49	42.73	2.34%	-$ 102,877	-$ 1,755	-$ 104,632	-$ 104,632	-$ 0	-$ 3,510		-$ 106,387
2075	Non Rate-Regulated Utility Property	$ 242,861	$ -	16.34	20.00	5.00%	$ 14,863	$ -	$ 14,863	$ 14,863	$ 0	$ -		$ 14,863
2055	Construction work in progress	$ -	$ -	42.52	43.61	2.29%				$ -	$ -	$ -		
1609	Intangible assets	$ 1,632,414	$ 436,468	27.51	25.00	4.00%	$ 59,334	$ 8,729	$ 68,063	$ 95,706	-$ 27,643	$ 17,459		$ 76,793
	Total	**$ 39,184,375**	**$17,783,281**				**$ 1,929,487**	**$ 230,056**	**$ 2,159,542**	**$ 2,694,150**	**-$ 534,608**	**$ 460,111**	**$ 127,940**	**$ 2,261,659**
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets)								$ -					
	Total								**$ 2,159,542**					

A TS cost transferred from variance account back into fixed assets

Transfer related accumulated depreciation.					
energized Dec 2013 - 2013 depreciation	-26,682.36				
2014 depreciation	-320,188.28				
	-346,870.64				
half year rule not applicable in 2014	-160,094.14				
	-506,964.78	-$	506,965	$	0.01

B Permanet bypass transferred from variance account back into fixed assets

Transfer related accumulated depreciation					
energized Dec 2013 - 2013 depreciation	-1,454.89				
2014 depreciation	-17,458.72				
	-18,913.61				
half year rule not applicable in 2014	-8,729.36				
	-27,642.97	-$	27,643	$	0.00
		-$	534,608		

Attachment 4 of 4

OEB Appendix 2 - CR/CS/CT/CU

File Number:	EB 2014-0073
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Date:	25-Apr-14

Appendix 2-CR
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013

Year 2012 Former CGAAP - CGAAP without the changes to the policies

Account	Description	Opening Regulatory Gross PP&E as at Jan 1, 2012 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation (e) = (c) + ½ x (d) [1]	Years (f)	Depreciation Rate (g) = 1 / (f)	2012 Depreciation Expense (h) = (e) / (f)	2012 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)	
1611	Computer Software (Formally known as Account 1925)	$ 553,792	$ 426,847	$ 126,945	$ 169,877	$ 211,884	5.00	20.00%	$ 42,377	$ 89,358	-$ 46,981	A
1612	Land Rights (Formally known as Account 1906)	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1805	Land	$ 1,239,634	$ -	$ 1,239,634	$ 189	$ 1,239,729	-		$ -	$ -	$ -	
1808	Buildings	$ 1,598,122	$ -	$ 1,598,122	$ -	$ 1,598,122	54.94	1.82%	$ 29,089	$ 29,089	-$ 0	
1808	Buildings	$ 81,080	$ -	$ 81,080	$ -	$ 81,080	30.00	3.33%	$ 2,703	$ 2,703	-$ 0	
1810	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1815	Transformer Station Equipment >50 kV	$ 283,085	$ -	$ 283,085	-$ 283,085	$ 141,543	-		$ -	$ -	$ -	
1815	Transformer Station Equipment >50 kV	$ -	$ -	$ -	-$ 0	-$ 0	-		$ -	$ -	$ -	
1815	Transformer Station Equipment >50 kV	$ -	$ -	$ -	$ 0	$ 0	-		$ -	$ -	$ -	
1820	Distribution Station Equipment <50 kV	$ 1,745,896	$ 663,148	$ 1,082,747	$ -	$ 1,082,747	26.79	3.73%	$ 40,423	$ 40,423	$ 0	
1825	Storage Battery Equipment	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1830	Poles, Towers & Fixtures	$ 10,720,747	$ 1,043,766	$ 9,676,981	$ 269,736	$ 9,811,849	25.00	4.00%	$ 392,474	$ 401,325	-$ 8,851	
1830	Poles, Towers & Fixtures	$ 159,709	$ -	$ 159,709	$ 123,163	$ 221,290	25.00	4.00%	$ 8,852	$ -	$ 8,852	
1830	Poles, Towers & Fixtures	$ 607,139	$ -	$ 607,139	$ 471,744	$ 843,011	25.00	4.00%	$ 33,720	$ -	$ 33,720	
1835	Overhead Conductors & Devices	$ 13,278,707	$ 1,116,094	$ 12,162,614	$ 676,435	$ 12,500,831	25.00	4.00%	$ 500,033	$ 533,754	-$ 33,720	
1840	Underground Conduit	$ 6,879,652	$ 1,292,313	$ 5,587,339	$ 58,596	$ 5,616,637	25.00	4.00%	$ 224,665	$ 224,665	-$ 0	
1845	Underground Conductors & Devices	$ 16,470,095	$ 3,445,616	$ 13,024,479	$ 310,539	$ 13,179,749	25.00	4.00%	$ 527,190	$ 532,637	-$ 5,447	
1845	Underground Conductors & Devices	$ 5,436	$ -	$ 5,436	$ 261,484	$ 136,178	25.00	4.00%	$ 5,447	$ -	$ 5,447	
1850	Line Transformers	$ 15,107,860	$ 4,089,260	$ 11,018,600	$ 236,383	$ 11,136,792	25.00	4.00%	$ 445,472	$ 445,471	$ 0	
1855	Services (Overhead & Underground)	$ 5,012,423	$ 759,469	$ 4,252,954	$ 201,417	$ 4,353,663	25.00	4.00%	$ 174,147	$ 174,147	-$ 0	
1860	Meters	$ 3,886,441	$ 802,088	$ 3,084,354	$ 145,790	$ 3,157,249	25.00	4.00%	$ 126,290	$ 126,290	-$ 0	
1860	Meters	$ -	$ -	$ -	$ 3,488,799	$ 1,744,399	15.00	6.67%	$ 116,293	$ 568,721	-$ 452,427	A
1890	Major Spare parts	$ 422,346	$ -	$ 422,346	$ 66,863	$ 455,778	-		$ -	$ -	$ -	
1905	Land	$ 17,041	$ 17,041	$ -	$ -	$ -	10.00	10.00%	$ -	$ -	$ -	
1908	Buildings & Fixtures	$ 6,795	$ -	$ 6,795	$ 27,578	$ 20,584	10.00	10.00%	$ 2,058	$ 2,058	-$ 0	
1908	Buildings & Fixtures	$ 484,932	$ -	$ 484,932	$ 12,886	$ 491,375	30.00	3.33%	$ 16,379	$ 16,379	-$ 0	
1910	Leasehold Improvements	$ 21,798	$ 21,798	$ -	$ -	$ -	5.00	20.00%	$ -	$ -	$ -	
1915	Office Furniture & Equipment (10 years)	$ 379,024	$ 325,132	$ 53,892	$ 2,545	$ 55,165	10.00	10.00%	$ 5,516	$ 5,516	-$ 0	
1915	Office Furniture & Equipment (5 years)	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1920	Computer Equipment - Hardware	$ 540,191	$ 540,191	$ -	$ -	$ -	5.00	20.00%	$ -	$ -	$ -	
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ 75,674	$ 75,674	$ -	$ -	$ -	5.00	20.00%	$ -	$ -	$ -	
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ 358,330	$ 233,958	$ 124,372	$ 125,752	$ 187,248	5.00	20.00%	$ 37,450	$ 56,546	-$ 19,097	A
1930	Transportation Equipment	$ 2,776,717	$ 779,345	$ 1,997,372	$ 323,233	$ 2,158,989	8.00	12.50%	$ 269,874	$ 283,963	-$ 14,090	
1930	Transportation Equipment	$ 57,278	$ -	$ 57,278	$ 26,343	$ 70,449	5.00	20.00%	$ 14,090	$ -	$ 14,090	
1935	Stores Equipment	$ 36,199	$ 36,199	$ -	$ -	$ -	10.00	10.00%	$ -	$ -	$ -	
1940	Tools, Shop & Garage Equipment	$ 782,930	$ 498,303	$ 284,627	$ 22,851	$ 296,053	10.00	10.00%	$ 29,605	$ 29,605	-$ 0	
1945	Measurement & Testing Equipment	$ 39,170	$ 13,413	$ 25,757	$ -	$ 25,757	8.00	12.50%	$ 3,220	$ 3,220	-$ 0	
1950	Power Operated Equipment	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1955	Communications Equipment	$ 106,528	$ 102,841	$ 3,687	$ -	$ 3,687	10.00	10.00%	$ 369	$ 369	-$ 0	
1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1960	Miscellaneous Equipment	$ 7,842	$ -	$ 7,842	$ -	$ 7,842	10.00	10.00%	$ 784	$ 784	$ 0	
1970	Load Management Controls Customer Premises	$ 245,119	$ -	$ 245,119	$ -	$ 245,119	10.00	10.00%	$ 24,512	$ 24,512	$ 0	
1975	Load Management Controls Utility Premises	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1980	System Supervisor Equipment	$ 322,664	$ -	$ 322,664	$ 30,839	$ 338,084	10.00	10.00%	$ 33,808	$ 33,808	$ 0	
1985	Miscellaneous Fixed Assets	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1990	Other Tangible Property	$ -	$ -	$ -	$ -	$ -	-		$ -	$ -	$ -	
1995	Contributions & Grants	-$ 4,405,061	$ -	-$ 4,405,061	-$ 342,654	-$ 4,576,388	25.00	4.00%	-$ 183,056	-$ 183,056	$ 0	
2075	Non-utility property owned under capital lease	$ 294,688	$ -	$ 294,688	$ -	$ 294,688	20.00	5.00%	$ 14,734	$ 14,734	$ 0	
2055	Construction work in progress	$ -	$ -	$ -	$ 8,113,559	$ 4,056,780	-		$ -	$ -	$ -	
1609	Intangible assets	$ -	$ -	$ -	$ 535,630	$ 267,815	-		$ -	$ -	$ -	
	Total	**$ 80,200,026**	**$ 16,282,495**	**$ 63,917,531**	**$ 15,076,493**	**$ 71,455,778**			**$ 2,938,519**	**$ 3,457,023**	**-$ 518,504**	

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2 The applicant must provide an explanation of material variances in evidence.

General: **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.**

Explanations

A Smart meters transferred from account 15.55 to capital accounts 1611 (1925), 1920 and 1880
Half year depreciation should not apply to these additions
Accumulated depreciation recorded in 15.55 in prior year is included in 2012 additions

	Software	Hardware	Meters	Total
cost transferred from smart meters -	$ 121,167	$ 84,611	$ 3,488,799	
Half year depreciation	$ 12,117	$ 8,461	$ 116,293	
Accum deprec transferred from smart meters	$ 34,864	$ 10,636	$ 336,134	
Variance should be	$ 46,981	$ 19,097	$ 452,427	$ 518,505
	$ (46,981)	$ (19,097)	$ (452,427)	$ (518,504)
	$ (0)	$ (0)	$ (0)	$ 1

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Appendix 2-CS
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013

Year 2013 Former CGAAP - CGAAP without the changes to the policies

Account	Description	Opening Regulatory Gross PP&E as at Jan 1, 2013 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation (e) = (c) + ½ x (d) [1]	Years (f)	Depreciation Rate (g) = 1 / (f)	2013 Depreciation Expense (h) = (e) / (f)	2013 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	$ 723,669	$ 454,162	**$ 269,507**	$ 92,110	**$ 315,562**	5.00	20.00%	**$ 63,112**	$ 63,112	**-$ 0**
1612	Land Rights (Formally known as Account 1906)	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1805	Land	$ 1,239,823	$ -	**$ 1,239,823**	$ 12,379	**$ 1,246,012**	-	0.00%	**$ -**	$ -	**$ -**
1808	Buildings	$ 1,598,122	$ 32,351	**$ 1,565,771**	$ -	**$ 1,565,771**	53.83	1.86%	**$ 29,089**	$ 29,089	**-$ 1**
1808	Buildings	$ 73,993	$ -	**$ 73,993**	$ -	**$ 73,993**	30.00	3.33%	**$ 2,466**	$ 2,466	**-$ 0**
1810	Leasehold Improvements	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1815	Transformer Station Equipment >50 kV	$ 0	$ -	**$ 0**	$ -	**$ 0**	25.00	4.00%	**$ 0**	$ -	**$ 0**
1815	Transformer Station Equipment >50 kV	-$ 0	$ -	**-$ 0**	$ -	**-$ 0**	25.00	4.00%	**-$ 0**	$ -	**-$ 0**
1815	Transformer Station Equipment >50 kV	$ 0	$ -	**$ 0**	$ -	**$ 0**	25.00	4.00%	**$ 0**	$ -	**$ 0**
1820	Distribution Station Equipment <50 kV	$ 1,745,896	$ 663,148	**$ 1,082,747**	$ -	**$ 1,082,747**	26.79	3.73%	**$ 40,423**	$ 40,423	**$ 0**
1825	Storage Battery Equipment	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1830	Poles, Towers & Fixtures	$ 6,638,565	$ 1,192,853	**$ 5,445,713**	$ 328,409	**$ 5,609,917**	25.00	4.00%	**$ 224,397**	$ 239,952	**-$ 15,555**
1830	Poles, Towers & Fixtures	$ 1,508,015	$ -	**$ 1,508,015**	$ 137,818	**$ 1,576,924**	25.00	4.00%	**$ 63,077**	$ 61,304	**$ 1,773**
1830	Poles, Towers & Fixtures	$ 8,178,710	$ -	**$ 8,178,710**	$ 368,789	**$ 8,363,104**	25.00	4.00%	**$ 334,524**	$ 300,774	**$ 33,750**
1835	Overhead Conductors & Devices	$ 1,564,194	$ -	**$ 1,564,194**	$ 95,450	**$ 1,611,919**	25.00	4.00%	**$ 64,477**	$ 59,547	**$ 4,930**
1835	Overhead Conductors & Devices	$ 498,775	$ -	**$ 498,775**	$ -	**$ 498,775**	25.00	4.00%	**$ 19,951**	$ 19,951	**$ -**
1835	Overhead Conductors & Devices	$ 7,771,342	$ 1,276,085	**$ 6,495,257**	$ 463,251	**$ 6,726,883**	25.00	4.00%	**$ 269,075**	$ 293,973	**-$ 24,898**
1835	Overhead Conductors & Devices	$ 216,401	$ -	**$ 216,401**	$ -	**$ 216,401**	25.00	4.00%	**$ 8,656**	$ 8,656	**$ -**
1835	Overhead Conductors & Devices	$ 46,785	$ -	**$ 46,785**	$ -	**$ 46,785**	25.00	4.00%	**$ 1,871**	$ 1,871	**$ -**
1840	Underground Conduit	$ 7,026,175	$ 1,483,013	**$ 5,543,162**	$ 154,444	**$ 5,620,384**	25.00	4.00%	**$ 224,815**	$ 224,336	**$ 479**
1840	Underground Conduit	$ 1,971,228	$ -	**$ 1,971,228**	$ 85,353	**$ 2,013,904**	25.00	4.00%	**$ 80,556**	$ 62,140	**$ 18,416**
1845	Underground Conductors & Devices	$ 7,090,020	$ -	**$ 7,090,020**	$ -	**$ 7,090,020**	25.00	4.00%	**$ 283,601**	$ 132,563	**$ 151,038**
1845	Underground Conductors & Devices	$ 8,490,392	$ 3,986,630	**$ 4,503,762**	$ 939,970	**$ 4,973,747**	25.00	4.00%	**$ 198,950**	$ 358,415	**-$ 159,465**
1845	Underground Conductors & Devices	$ 1,143,051	$ -	**$ 1,143,051**	$ 113,626	**$ 1,199,864**	25.00	4.00%	**$ 47,995**	$ 39,568	**$ 8,427**
1850	Line Transformers	$ 8,007,191	$ 3,752,481	**$ 4,254,710**	$ 62,963	**$ 4,286,192**	25.00	4.00%	**$ 171,448**	$ 196,449	**-$ 25,001**
1850	Line Transformers	$ 6,090,308	$ -	**$ 6,090,308**	$ 253,535	**$ 6,217,076**	25.00	4.00%	**$ 248,683**	$ 238,865	**$ 9,818**
1850	Line Transformers	$ 32,638	$ -	**$ 32,638**	$ -	**$ 32,638**	25.00	4.00%	**$ 1,306**	$ -	**$ 1,306**
1855	Services (Overhead & Underground)	$ 3,490,761	$ 874,122	**$ 2,616,639**	$ 99,907	**$ 2,666,593**	25.00	4.00%	**$ 106,664**	$ 130,791	**-$ 24,127**
1855	Services (Overhead & Underground)	$ 1,086,713	$ -	**$ 1,086,713**	$ 14,375	**$ 1,093,900**	25.00	4.00%	**$ 43,756**	$ 24,647	**$ 19,109**
1860	Meters	$ 2,873,553	$ 1,514,113	**$ 1,359,440**	$ 36,988	**$ 1,377,934**	25.00	4.00%	**$ 55,117**	$ 58,420	**-$ 3,303**
1860	Meters	$ 392,884	$ -	**$ 392,884**	$ 21,062	**$ 403,415**	25.00	4.00%	**$ 16,137**	$ 12,834	**$ 3,303**
1860	Meters	$ 402,376	$ -	**$ 402,376**	$ -	**$ 402,376**	25.00	4.00%	**$ 16,095**	$ 16,095	**$ -**
1860	Meters	$ 222,130	$ -	**$ 222,130**	$ -	**$ 222,130**	25.00	4.00%	**$ 8,885**	$ 8,885	**$ -**
1860	Meters	$ 3,630,088	$ -	**$ 3,630,088**	$ 34,059	**$ 3,647,117**	15.00	6.67%	**$ 243,141**	$ 239,373	**$ 3,768**
1890	Major Spare parts	$ 489,209	$ -	**$ 489,209**	$ -	**$ 489,209**	-	0.00%	**$ -**	$ -	**$ -**
1905	Land	$ 17,041	$ 17,041	**$ -**	$ -	**$ -**	10.00	10.00%	**$ -**	$ -	**$ -**
1908	Buildings & Fixtures	$ 150,703	$ -	**$ 150,703**	$ 7,732	**$ 154,568**	10.00	10.00%	**$ 15,457**	$ 7,702	**$ 7,755**
1908	Buildings & Fixtures	$ 388,575	$ -	**$ 388,575**	$ 38,227	**$ 407,688**	30.00	3.33%	**$ 13,590**	$ 13,590	**-$ 0**
1910	Leasehold Improvements	$ 21,798	$ 21,798	**$ -**	$ -	**$ -**	5.00	20.00%	**$ -**	$ -	**$ -**
1915	Office Furniture & Equipment (10 years)	$ 381,569	$ 325,132	**$ 56,437**	$ 3,684	**$ 58,279**	10.00	10.00%	**$ 5,828**	$ 5,828	**$ 0**
1915	Office Furniture & Equipment (5 years)	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1920	Computer Equipment - Hardware	$ 540,191	$ 540,191	**$ -**	$ -	**$ -**	5.00	20.00%	**$ -**	$ -	**$ -**
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ 75,674	$ 75,674	**$ -**	$ -	**$ -**	5.00	20.00%	**$ -**	$ -	**$ -**
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ 484,082	$ 267,892	**$ 216,190**	$ 210,756	**$ 321,568**	5.00	20.00%	**$ 64,314**	$ 64,314	**$ 0**
1930	Transportation Equipment	$ 2,972,749	$ 1,203,199	**$ 1,769,550**	$ -	**$ 1,769,550**	7.84	12.75%	**$ 225,593**	$ 225,593	**$ 0**
1930	Transportation Equipment	$ 83,621	$ -	**$ 83,621**	$ 32,154	**$ 99,698**	5.00	20.00%	**$ 19,940**	$ 19,940	**$ 0**
1935	Stores Equipment	$ 36,199	$ 36,199	**$ -**	$ -	**$ -**	10.00	10.00%	**$ -**	$ -	**$ -**
1940	Tools, Shop & Garage Equipment	$ 805,781	$ 518,776	**$ 287,005**	$ 20,797	**$ 297,403**	10.00	10.00%	**$ 29,740**	$ 29,740	**$ 0**
1945	Measurement & Testing Equipment	$ 39,170	$ 13,413	**$ 25,757**	$ -	**$ 25,757**	8.00	12.50%	**$ 3,220**	$ 3,220	**$ 0**
1950	Power Operated Equipment	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1955	Communications Equipment	$ 106,528	$ 103,582	**$ 2,946**	$ -	**$ 2,946**	10.00	10.00%	**$ 295**	$ 295	**-$ 0**
1955	Communication Equipment (Smart Meters)	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1960	Miscellaneous Equipment	$ 7,842	$ -	**$ 7,842**	$ -	**$ 7,842**	10.00	10.00%	**$ 784**	$ 784	**$ -**
1970	Load Management Controls Customer Premises	$ 245,119	$ -	**$ 245,119**	$ -	**$ 245,119**	10.00	10.00%	**$ 24,512**	$ 24,512	**$ -**
1975	Load Management Controls Utility Premises	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1980	System Supervisor Equipment	$ 353,504	$ 190,671	**$ 162,833**	$ 23,847	**$ 174,756**	10.00	10.00%	**$ 17,476**	$ 17,476	**$ -**
1985	Miscellaneous Fixed Assets	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1990	Other Tangible Property	$ -	$ -	**$ -**	$ -	**$ -**	-	0.00%	**$ -**	$ -	**$ -**
1995	Contributions & Grants	-$ 4,747,715	$ -	**-$ 4,747,715**	-$ 148,758	**-$ 4,822,094**	25.00	4.00%	**-$ 192,884**	-$ 192,884	**-$ 0**
2075	Non Rate-Regulated Utility Property	$ 294,688	$ -	**$ 294,688**	$ -	**$ 294,688**	20.00	5.00%	**$ 14,734**	$ 14,734	**-$ 0**
2055	Construction work in progress	$ 8,113,559	$ 13,964,533	**-$ 5,850,974**	$ 5,850,974	**-$ 2,925,487**	-	0.00%	**$ -**		
1609	Intangible assets	$ 535,630	$ 436,468	**$ 99,162**	$ 1,610,864	**$ 904,594**	28.82	3.47%	**$ 31,387**	$ 18,278	**$ 13,109**
	Total	**$ 95,149,318**	**$ 32,943,529**	**$ 62,205,789**	**$ 10,964,764**	**$ 67,688,170**			**$ 3,142,252**	**$ 3,117,620**	**$ 24,632**

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2 The applicant must provide an explanation of material variances in evidence.

General: **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.**

A Depreciation begins when permanent bypass is energized Dec 1, 2013. (not half year rule). Full year depreciation not applied to opening balance

Total cost of assets	$ 1,230,026	$ 99,162	
annual amortization	$ 27,334	$ 3,440.69	
monthly amortization	$ 2,277.83	$ 286.72	
difference between half year rule & actual # of months	5	6	
# of months amortization not taken	$ 11,389.13	$ 1,720.34	$ 13,109.47
			$ 13,109.47
			$ 0.00

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Appendix 2-CT
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013

Year 2013 Revised CGAAP or ASPE - CGAAP or ASPE with the changes to the policies

Account	Description	Opening NBV as at Jan 1, 2013 [5] (a)	Additions (d)	Average Remaining Life of Opening NBV [4] (i)	Years (new additions only) [3] (f)	Depreciation Rate on New Additions (g) = 1 / (f)	Depreciation Expense on Opening NBV (j) = (a) / (i)	Depreciation Expense on Additions [1] (h)=((d)*0.5)/(f)	2013 Depreciation Expense (k) = (j) + (h)	2013 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (k) - (l)	Depreciation Expense on 2013 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2013 Full Year Depreciation [6] (p) = (j) + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 158,109	$ 92,110	2.93	5.00	20.00%	$ 53,901	$ 9,211	$ 63,112	$ 63,112	-$ 0	$ 18,422	$ 3,288	$ 69,035
1612	Land Rights (Formally known as Account 1906)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1805	Land **	$ 326,350	$ 12,379	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1808	Buildings	$ 583,116	$ -	24.60	60.00	1.67%	$ 23,703	$ -	$ 23,703	$ 23,703	-$ 0	$ -	-$ 14,453	$ 38,156
1808	Buildings	$ 14,431	$ -	3.95	60.00	1.67%	$ 3,655	$ -	$ 3,655	$ 3,656	-$ 0	$ -	$ -	$ 3,655
1810	Leasehold Improvements	$ -	$ -	-	5.00	20.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1815	Transformer Station Equipment >50 kV	$ 0	$ -	45.81	45.81	2.18%	$ 0	$ -	$ 0	$ -	$ 0	$ -	$ -	$ 0
1815	Transformer Station Equipment >50 kV	-$ 0	$ -	38.08	38.08	2.63%	-$ 0	$ -	-$ 0	$ -	-$ 0	$ -	$ -	-$ 0
1815	Transformer Station Equipment >50 kV	$ 0	$ -	52.34	52.34	1.91%	$ 0	$ -	$ 0	$ -	$ 0	$ -	$ -	$ 0
1820	Distribution Station Equipment <50 kV	$ 298,960	$ -	6.77	40.00	2.50%	$ 44,163	$ -	$ 44,163	$ 44,163	-$ 0	$ -	$ 16,328	$ 27,835
1825	Storage Battery Equipment	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1830	Poles, Towers & Fixtures	$ 3,574,413	$ 298,416	52.39	60.00	1.67%	$ 68,221	$ 2,487	$ 70,708	$ 70,708	-$ 0	$ 4,974	$ -	$ 73,195
1830	Poles, Towers & Fixtures	$ 526,028	$ 126,983	43.56	45.00	2.22%	$ 12,075	$ 1,411	$ 13,486	$ 13,486	-$ 0	$ 2,822	-$ 1,613	$ 16,509
1830	Poles, Towers & Fixtures	$ 4,705,773	$ 339,580	32.67	40.00	2.50%	$ 144,037	$ 4,245	$ 148,281	$ 148,281	-$ 0	$ 8,490	$ -	$ 152,526
1835	Overhead Conductors & Devices	$ 905,347	$ 89,730	148.78	45.00	2.22%	$ 6,085	$ 997	$ 7,082	$ 7,082	$ -	$ 1,994	-$ 18,704	$ 26,783
1835	Overhead Conductors & Devices	$ 394,443	$ -	39.80	45.00	2.22%	$ 9,911	$ -	$ 9,911	$ 9,911	$ -	$ -	$ -	$ 9,911
1835	Overhead Conductors & Devices	$ 4,100,489	$ 419,022	54.21	60.00	1.67%	$ 75,647	$ 3,492	$ 79,139	$ 79,139	$ 0	$ 6,984	-$ 1,731	$ 84,361
1835	Overhead Conductors & Devices	$ 183,074	$ -	36.20	40.00	2.50%	$ 5,058	$ -	$ 5,058	$ 5,058	$ -	$ -	$ -	$ 5,058
1835	Overhead Conductors & Devices	$ 39,300	$ -	26.00	30.00	3.33%	$ 1,512	$ -	$ 1,512	$ 1,512	$ -	$ -	$ -	$ 1,512
1840	Underground Conduit	$ 2,701,836	$ 151,996	39.94	50.00	2.00%	$ 67,653	$ 1,520	$ 69,173	$ 69,173	-$ 0	$ 3,040	-$ 961	$ 71,654
1840	Underground Conduit	$ 854,588	$ 82,217	46.33	55.00	1.82%	$ 18,445	$ 747	$ 19,192	$ 19,192	$ 0	$ 1,495	$ -	$ 19,940
1845	Underground Conductors & Devices	$ 464,627	$ -	1.62	25.00	4.00%	$ 286,810	$ -	$ 286,810	$ 286,810	$ 0	$ -	$ 276,463	$ 10,348
1845	Underground Conductors & Devices	$ 4,423,483	$ 837,215	30.15	40.00	2.50%	$ 146,733	$ 10,465	$ 157,198	$ 157,198	-$ 0	$ 20,930	$ -	$ 167,663
1845	Underground Conductors & Devices	$ 571,573	$ 111,980	13.38	30.00	3.33%	$ 42,729	$ 1,866	$ 44,596	$ 44,596	$ 0	$ 3,733	$ 16,210	$ 30,252
1850	Line Transformers	$ 2,317,929	$ 55,484	21.87	40.00	2.50%	$ 105,983	$ 694	$ 106,676	$ 106,676	$ 0	$ 1,387	$ 32,330	$ 75,040
1850	Line Transformers	$ 3,047,963	$ 251,255	36.76	40.00	2.50%	$ 82,915	$ 3,141	$ 86,055	$ 86,055	-$ 0	$ 6,281	-$ 19,614	$ 108,810
1850	Line Transformers	$ -	$ -	-	35.00	2.86%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1855	Services	$ 1,704,750	$ 90,478	29.17	40.00	2.50%	$ 58,432	$ 1,131	$ 59,563	$ 59,563	$ 0	$ 2,262	-$ 764	$ 61,458
1855	Services	$ 201,137	$ 13,102	49.33	60.00	1.67%	$ 4,077	$ 109	$ 4,186	$ 4,186	$ 0	$ 218	$ -	$ 4,295
1860	Meters	$ 675,385	$ 36,713	5.56	15.00	6.67%	$ 121,508	$ 1,224	$ 122,732	$ 122,732	$ 0	$ 2,448	$ 48,883	$ 75,073
1860	Meters	$ 201,746	$ 20,788	33.34	40.00	2.50%	$ 6,051	$ 260	$ 6,311	$ 6,311	$ 0	$ 520	$ -	$ 6,570
1860	Meters	$ 261,470	$ -	11.13	20.00	5.00%	$ 23,488	$ -	$ 23,488	$ 23,488	$ -	$ -	$ -	$ 23,488
1860	Meters	$ 153,828	$ -	12.27	20.00	5.00%	$ 12,540	$ -	$ 12,540	$ 12,540	$ -	$ -	$ -	$ 12,540
1860	Meters	$ 3,051,834	$ 33,773	7.57	10.00	10.00%	$ 402,902	$ 1,689	$ 404,591	$ 404,591	-$ 0	$ 3,377	$ -	$ 406,279
1890	Major Spare parts	$ 489,209	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1905	Land	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1908	Buildings & Fixtures	$ 120,311	$ 7,732	2.37	10.00	10.00%	$ 50,842	$ 387	$ 51,228	$ 51,228	-$ 0	$ 773	$ 34,148	$ 17,466
1908	Buildings & Fixtures	$ 316,757	$ 37,976	19.59	29.12	3.43%	$ 16,173	$ 652	$ 16,825	$ 16,825	-$ 0	$ 1,304	$ -	$ 17,477
1910	Leasehold Improvements	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1915	Office Furniture & Equipment (10 years)	$ 38,269	$ 3,684	4.98	10.00	10.00%	$ 7,681	$ 184	$ 7,866	$ 7,866	-$ 0	$ 368	$ 2,317	$ 5,733
1915	Office Furniture & Equipment (5 years)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1920	Computer Equipment - Hardware	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ 123,253	$ 210,756	2.85	5.00	20.00%	$ 43,227	$ 21,076	$ 64,302	$ 64,302	-$ 0	$ 42,151	$ 13,149	$ 72,229
1930	Transportation Equipment	$ 931,293	$ -	8.93	12.00	8.33%	$ 104,308	$ -	$ 104,308	$ 104,308	$ 0	$ -	$ -	$ 104,308
1930	Transportation Equipment	$ 52,348	$ 32,154	8.29	10.00	10.00%	$ 6,314	$ 1,608	$ 7,922	$ 7,922	$ 0	$ 3,215	$ -	$ 9,530
1935	Stores Equipment	$ -	$ -	-	10.00	10.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1940	Tools, Shop & Garage Equipment	$ 141,280	$ 20,797	4.92	10.00	10.00%	$ 28,701	$ 1,040	$ 29,740	$ 29,740	-$ 0	$ 2,080	$ 2,490	$ 28,290
1945	Measurement & Testing Equipment	$ 12,879	$ -	4.00	8.00	12.50%	$ 3,220	$ -	$ 3,220	$ 3,220	$ -	$ -	$ -	$ 3,220
1950	Power Operated Equipment	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1955	Communications Equipment	$ 662	$ -	2.25	10.00	10.00%	$ 295	$ -	$ 295	$ 295	-$ 0	$ -	$ -	$ 295
1955	Communication Equipment (Smart Meters)	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1960	Miscellaneous Equipment	$ 3,921	$ -	5.00	10.00	10.00%	$ 784	$ -	$ 784	$ 784	$ 0	$ -	$ -	$ 784
1970	Load Management Controls Customer Premises	$ 68,447	$ -	2.77	10.00	10.00%	$ 24,698	$ -	$ 24,698	$ 24,698	$ -	$ -	$ -	$ 24,698
1975	Load Management Controls Utility Premises	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1980	System Supervisor Equipment	$ 100,276	$ 23,847	11.71	15.00	6.67%	$ 8,561	$ 795	$ 9,356	$ 9,356	$ 0	$ 1,590	$ -	$ 10,151
1985	Miscellaneous Fixed Assets	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1990	Other Tangible Property	$ -	$ -	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1995	Contributions & Grants	-$ 3,448,228	-$ 148,758	36.13	37.98	2.63%	-$ 95,450	-$ 1,958	-$ 97,408	-$ 97,408	-$ 0	-$ 3,917	$ -	-$ 99,367
2075	Non Rate-Regulated Utility Property	$ 272,587	$ -	18.34	20.00	5.00%	$ 14,863	$ -	$ 14,863	$ 14,863	$ 0	$ -	$ -	$ 14,863
2055	Construction work in progress **	-$ 5,848,281	$ 5,848,281	-	-	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1609	Intangible assets **	$ 99,162	$ 1,610,864	28.82	28.82	3.47%	$ 3,441	$ 27,947	$ 31,387	$ 18,278	$ 13,109	$ 55,893	$ -	$ 59,334
	Total	$29,916,127	$ 10,710,552				$ 2,045,891	$ 96,417	$ 2,142,308	$ 2,129,198	$ 13,110	$ 192,834	$ 387,767	$ 1,850,958

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.
2 The applicant must provide an explanation of material variances in evidence.
3 The applicant should ensure that the years for new additions of assets are the asset useful lives determined by management in accordance with the Board's regulatory accounting policies. The capitalization and depreciation expense accounting changes should be implemented
4 A recalculation should be performed to determine the average remaining life of opening balance of assets (i.e. excluding 2013 additions) under the change in policies under CGAAP. For example, Asset A had a useful life of 20 years under CGAAP without the change in policies. On
5 NBV must exclude assets still on the books but which have been fully amortized or depreciated.
6 This column refers to the calculated full year depreciation but excludes the depreciation expense on assets fully depreciated during the year. This column is used for the purpose of calculating depreciation expense in the following year on the next worksheet.

General: **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.**

** Reduce opening NBV for amounts transferred out of fixed assets into variance account during 2013

A Depreciation begins when permanent bypass is energized Dec 1, 2013. (not half year rule). Full year depreciation not applied to opening balance

Total cost of assets	$ 1,230,026	$ 99,162	
annual amortization	$ 27,334	$ 3,440.69	
monthly amortization	$ 2,277.83	$ 286.72	
difference between half year rule & actual # of months	5	6	
# of months amortization not taken	$ 11,389.13	$ 1,720.34	$13,109.47
			$13,109.47
			$ 0.00

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Appendix 2-CU
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013

Year 2014 Revised CGAAP or ASPE - CGAAP or ASPE with the changes to the policies

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2014 Depreciation Expense [1] (h)=2013 Full Year Depreciation + ((d)*0.5)/(f)	2014 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	$ 252,000	5.00	20.00%	$ 94,235	$ 94,235	-$ 0
1612	Land Rights (Formally known as Account 1906)	$ -	-	0.00%	$ -	$ -	$ -
1805	Land	$ -	-	0.00%	$ -	$ -	$ -
1808	Buildings	$ -	60.00	1.67%	$ 38,156	$ 38,156	-$ 0
1808	Buildings	$ -	60.00	1.67%	$ 3,655	$ 3,656	-$ 0
1810	Leasehold Improvements	$ -	5.00	20.00%	$ -	$ -	$ -
1815	Transformer Station Equipment >50 kV	$ -	45.81	2.18%	$ 0	$ -	$ 0
1815	Transformer Station Equipment >50 kV	$ -	38.08	2.63%	-$ 0	$ -	-$ 0
1815	Transformer Station Equipment >50 kV	$ -	52.34	1.91%	$ 0	$ -	$ 0
1820	Distribution Station Equipment <50 kV	$ -	40.00	2.50%	$ 27,835	$ 27,835	-$ 0
1825	Storage Battery Equipment	$ -	-	0.00%	$ -	$ -	$ -
1830	Poles, Towers & Fixtures	$ 254,611	60.00	1.67%	$ 75,316	$ 75,316	-$ 0
1830	Poles, Towers & Fixtures	$ 61,874	45.00	2.22%	$ 17,197	$ 17,197	$ -
1830	Poles, Towers & Fixtures	$ 437,619	40.00	2.50%	$ 157,996	$ 157,996	-$ 0
1835	Overhead Conductors & Devices	$ 58,557	45.00	2.22%	$ 27,434	$ 27,434	$ -
1835	Overhead Conductors & Devices	$ -	45.00	2.22%	$ 9,911	$ 9,911	$ -
1835	Overhead Conductors & Devices	$ 280,339	60.00	1.67%	$ 86,698	$ 86,698	$ 0
1835	Overhead Conductors & Devices	$ -	40.00	2.50%	$ 5,058	$ 5,058	$ -
1835	Overhead Conductors & Devices	$ -	30.00	3.33%	$ 1,512	$ 1,512	$ -
1840	Underground Conduit	$ 187,241	50.00	2.00%	$ 73,526	$ 73,526	-$ 0
1840	Underground Conduit	$ 53,489	55.00	1.82%	$ 20,426	$ 20,426	$ 0
1845	Underground Conductors & Devices	$ -	25.00	4.00%	$ 10,348	$ 10,348	$ 0
1845	Underground Conductors & Devices	$ 164,000	40.00	2.50%	$ 169,713	$ 169,713	-$ 0
1845	Underground Conductors & Devices	$ 110,000	30.00	3.33%	$ 32,085	$ 32,085	$ 0
1850	Line Transformers	$ 138,256	40.00	2.50%	$ 76,768	$ 76,768	$ 0
1850	Line Transformers	$ 138,256	40.00	2.50%	$ 110,538	$ 110,538	-$ 0
1850	Line Transformers	$ -	35.00	2.86%	$ -	$ -	$ -
1855	Services	$ 143,946	40.00	2.50%	$ 63,257	$ 63,257	$ 0
1855	Services	$ 44,813	60.00	1.67%	$ 4,669	$ 4,669	$ 0
1860	Meters	$ 123,500	15.00	6.67%	$ 79,190	$ 79,190	$ 0
1860	Meters	$ 9,500	40.00	2.50%	$ 6,689	$ 6,689	$ 0
1860	Meters	$ -	20.00	5.00%	$ 23,488	$ 23,488	$ -
1860	Meters	$ -	20.00	5.00%	$ 12,540	$ 12,540	$ -
1860	Meters	$ 57,000	10.00	10.00%	$ 409,129	$ 409,129	-$ 0
1890	Major Spare parts	$ -	-	0.00%	$ -	$ -	$ -
1905	Land	$ -	-	0.00%	$ -	$ -	$ -
1908	Buildings & Fixtures	$ 20,000	10.00	10.00%	$ 18,466	$ 18,466	-$ 0
1908	Buildings & Fixtures	$ 60,000	30.00	3.33%	$ 18,477	$ 18,477	-$ 0
1910	Leasehold Improvements	$ -	-	0.00%	$ -	$ -	$ -
1915	Office Furniture & Equipment (10 years)	$ -	10.00	10.00%	$ 5,733	$ 5,733	-$ 0
1915	Office Furniture & Equipment (5 years)	$ -	-	0.00%	$ -	$ -	$ -
1920	Computer Equipment - Hardware	$ -	-	0.00%	$ -	$ -	$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	-	0.00%	$ -	$ -	$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ 38,000	5.00	20.00%	$ 76,029	$ 76,029	-$ 0
1930	Transportation Equipment	$ 30,000	20.00	5.00%	$ 105,058	$ 105,058	$ 0
1930	Transportation Equipment	$ 30,000	10.00	10.00%	$ 11,030	$ 11,030	$ 0
1935	Stores Equipment	$ -	10.00	10.00%	$ -	$ -	$ -
1940	Tools, Shop & Garage Equipment	$ 30,000	10.00	10.00%	$ 29,790	$ 29,790	-$ 0
1945	Measurement & Testing Equipment	$ -	8.00	12.50%	$ 3,220	$ 3,220	$ -
1950	Power Operated Equipment	$ -	-	0.00%	$ -	$ -	$ -
1955	Communications Equipment	$ -	10.00	10.00%	$ 295	$ 295	-$ 0
1955	Communication Equipment (Smart Meters)	$ -	-	0.00%	$ -	$ -	$ -
1960	Miscellaneous Equipment	$ -	10.00	10.00%	$ 784	$ 784	$ 0
1970	Load Management Controls Customer Premises	$ -	10.00	10.00%	$ 24,698	$ 24,698	$ -
1975	Load Management Controls Utility Premises	$ -	-	0.00%	$ -	$ -	$ -
1980	System Supervisor Equipment	$ 50,000	15.00	6.67%	$ 11,817	$ 11,817	$ 0
1985	Miscellaneous Fixed Assets	$ -	-	0.00%	$ -	$ -	$ -
1990	Other Tangible Property	$ -	-	0.00%	$ -	$ -	$ -
1995	Contributions & Grants	-$ 150,000	42.73	2.34%	-$ 101,122	-$ 101,122	-$ 0
2075	Non Rate-Regulated Utility Property	$ -	20.00	5.00%	$ 14,863	$ 14,863	$ 0
2055	Construction work in progress	$ -	-	0.00%	$ -	$ -	$ -
1609	Intangible assets	$ -	27.95	3.58%	$ 59,334	$ 59,334	-$ 0
	Total	**$ 2,623,000**			**$ 1,915,843**	**$ 1,915,843**	**$ 0**
	Total Depreciation expense to be included in the test year revenue requirement				**$ 1,915,843**		

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice

2 The applicant must provide an explanation of material variances in evidence.

General: **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.**

Festival Hydro

File Number:	EB-2014-0073
Date Filed:	May 29, 2014

Exhibit 4

Tab 5 of 6

Taxes or Payments In Lieu of Taxes (PILs)

Taxes or Payments In Lieu of Taxes (PILs)

The model used to derive the allowance for the Payment in Lieu of Taxes (“PILS”) included in Festival’s 2015 revenue requirement is presented at E4/T5/S1. Festival’s 2013 federal and provincial corporate income tax returns and 2012 notices of assessment are provided at E4/T5/S2.

Note that the PILS model has been reviewed by KMPG for reasonability as it relates to s(8) additions, s(1) add backs and deductions for rate making purposes based on 2014 and 2015 projected capital additions and projected income and expenses. The model indicates that grossed up PILS for 2015 is $262K and this amount has been used to calculate revenue requirement for Festival.

Attachment 1 of 1

OEB PILs Model

Income Tax/PILs Workform for 2014 Filers

Version **2.0**

Utility Name	Festival Hydro Inc.
Assigned EB Number	EB-2014-0073
Name and Title	Kelly McCann, Financial & Regulatory Manager
Phone Number	519-271-4703 x221
Email Address	kmccann@festivalhydro.com
Date	25-Apr-14
Last COS Re-based Year	**2010**

Note: Drop-down lists are shaded blue; Input cells are shaded green.

Income Tax/PILs Workform for 2014 Filers

Income Tax/PILs Workform for 2014 Filers

Rate Base			**$**	**63,100,999**	
Return on Ratebase					
Deemed ShortTerm Debt %	4.00%	T	$	2,524,040	*W = S * T*
Deemed Long Term Debt %	56.00%	U	$	35,336,559	*X = S * U*
Deemed Equity %	40.00%	V	$	25,240,400	*Y = S * V*
Short Term Interest Rate	2.11%	Z	$	53,257	*AC = W * Z*
Long Term Interest	4.31%	AA	$	1,523,006	*AD = X * AA*
Return on Equity (Regulatory Income)	9.36%	AB	**$**	**2,362,501**	*AE = Y * AB*
Return on Rate Base			**$**	**3,938,764**	*AF = AC + AD + AE*

Questions that must be answered

Questions	Historic	Bridge	Test Year
1. Does the applicant have any Investment Tax Credits (ITC)?	Yes	Yes	Yes
2. Does the applicant have any SRED Expenditures?	No	No	No
3. Does the applicant have any Capital Gains or Losses for tax purposes?	No	No	No
4. Does the applicant have any Capital Leases?	No	No	No
5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?	No	No	No
6. Since 1999, has the applicant acquired another regulated applicant's assets?	Yes	Yes	Yes
7. Did the applicant pay dividends? *If Yes, please describe what was the tax treatment in the manager's summary.*	Yes	Yes	Yes
8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?	Yes	No	No

Income Tax/PILs
Workform for 2014 Filers

Tax Rates Federal & Provincial As of June 20, 2012	Effective January-01-11	Effective January-01-12	Effective January-01-13	Effective January-01-14
Federal income tax				
General corporate rate	38.00%	38.00%	38.00%	38.00%
Federal tax abatement	-10.00%	-10.00%	-10.00%	-10.00%
Adjusted federal rate	28.00%	28.00%	28.00%	28.00%
Rate reduction	-11.50%	-13.00%	-13.00%	-13.00%
	16.50%	15.00%	15.00%	15.00%
Ontario income tax	11.75%	11.50%	11.50%	11.50%
Combined federal and Ontario	28.25%	26.50%	26.50%	26.50%
Federal & Ontario Small Business				
Federal small business threshold	500,000	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000	500,000
Federal small business rate	11.00%	11.00%	11.00%	11.00%
Ontario small business rate	4.50%	4.50%	4.50%	4.50%

Income Tax/PILs Workforce for 2014 Filers

Schedule 8 - Historical Year

Class	Class Description	UCC End of Year Historic per tax returns	Less: Non-Distribution Portion	UCC Regulated Historic Year
1	Distribution System - post 1987	18,893,583		18,893,583
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	5,691,536		5,691,536
2	Distribution System - pre 1988	2,813,231		2,813,231
8	General Office/Stores Equip	2,123,882		2,123,882
10	Computer Hardware/ Vehicles	616,752		616,752
10.1	Certain Automobiles			0
12	Computer Software	46,055		46,055
13_1	Lease # 1			0
13_2	Lease #2			0
13_3	Lease # 3			0
13_4	Lease # 4			0
14	Franchise	424,701		424,701
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	121,055		121,055
42	Fibre Optic Cable			0
43.1	Certain Energy-Efficient Electrical Generating Equipment			0
43.2	Certain Clean Energy Generation Equipment	51,040	51,040	0
45	Computers & Systems Software acq'd post Mar 22/04	785		785
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	8,192		8,192
47	Distribution System - post February 2005	22,248,840		22,248,840
50	Data Network Infrastructure Equipment - post Mar 2007	163,649		163,649
52	Computer Hardware and system software			0
95	CWIP			0
6	Fence	94,567		94,567
14	Limited life intangible	464,219		464,219
98	Meter stock	280,676		280,676
98	Transformer stock	1,193,404		1,193,404
				0
				0
				0
				0
				0
				0
	SUB-TOTAL - UCC	**55,236,167**	**51,040**	**55,185,127**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Historical Year

Cumulative Eligible Capital				**94,116**
Additions				
Cost of Eligible Capital Property Acquired during Test Year	1,230,026			
Other Adjustments	0			
Subtotal	1,230,026	**x 3/4 =**	922,520	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			922,520	**922,520**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**1,016,636**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**1,016,636**
Current Year Deduction		**1,016,636**	**x 7% =**	**71,164**
Cumulative Eligible Capital - Closing Balance				**945,471**

Schedule 13 Tax Reserves - Historical

Continuity of Reserves

Description	Historical Balance as per tax returns	Non-Distribution Eliminations	Utility Only
Capital Gains Reserves ss.40(1)			0
Tax Reserves Not Deducted for accounting purposes			
Reserve for doubtful accounts ss. 20(1)(l)			0
Reserve for goods and services not delivered ss. 20(1)(m)			0
Reserve for unpaid amounts ss. 20(1)(n)			0
Debt & Share Issue Expenses ss. 20(1)(e)			0
Other tax reserves			0
			0
			0
			0
			0
			0
Total	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)			
General Reserve for Inventory Obsolescence (non-specific)			0
General reserve for bad debts			0
Accrued Employee Future Benefits:			0
- Medical and Life Insurance			0
-Short & Long-term Disability			0
-Accmulated Sick Leave			0
- Termination Cost			0
- Other Post-Employment Benefits	1,397,008		1,397,008
Provision for Environmental Costs			0
Restructuring Costs			0
Accrued Contingent Litigation Costs			0
Accrued Self-Insurance Costs			0
Other Contingent Liabilities			0
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)			0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)			0
Other			0
			0
			0
Total	**1,397,008**	**0**	**1,397,008**

Income Tax/PILs Workform for 2014 Filers

Schedule 7-1 Loss Carry Forward - Historic

Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	Total	Non-Distribution Portion	Utility Balance
Actual Historic			0

Net Capital Loss Carry Forward Deduction	Total	Non-Distribution Portion	Utility Balance
Actual Historic			0

Adjusted Taxable Income - Historic Year

	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
Income before PILs/Taxes	**A**	3,503,905	-32,024	3,535,929
Additions:				
Interest and penalties on taxes	103			0
Amortization of tangible assets	104	2,129,199	14,863	2,114,336
Amortization of intangible assets	106			0
Recapture of capital cost allowance from Schedule 8	107			0
Gain on sale of eligible capital property from Schedule 10	108			0
Income or loss for tax purposes- joint ventures or partnerships	109			0
Loss in equity of subsidiaries and affiliates	110			0
Loss on disposal of assets	111			0
Charitable donations	112	50,150	50,150	0
Taxable Capital Gains	113			0
Political Donations	114			0
Deferred and prepaid expenses	116			0
Scientific research expenditures deducted on financial statements	118			0
Capitalized interest	119			0
Non-deductible club dues and fees	120			0
Non-deductible meals and entertainment expense	121	4,976		4,976
Non-deductible automobile expenses	122			0
Non-deductible life insurance premiums	123			0
Non-deductible company pension plans	124			0
Tax reserves deducted in prior year	125			0
Reserves from financial statements- balance at end of year	126	1,397,008		1,397,008
Soft costs on construction and renovation of buildings	127			0
Book loss on joint ventures or partnerships	205			0
Capital items expensed	206			0
Debt issue expense	208			0
Development expenses claimed in current year	212			0
Financing fees deducted in books	216			0
Gain on settlement of debt	220			0
Non-deductible advertising	226			0
Non-deductible interest	227			0
Non-deductible legal and accounting fees	228			0
Recapture of SR&ED expenditures	231			0
Share issue expense	235			0
Write down of capital property	236			0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237			0
Other Additions				
Interest Expensed on Capital Leases	290			0
Realized Income from Deferred Credit Accounts	291			0
Pensions	292			0
Non-deductible penalties	293			0
Apprentice tax credit prior year	294	12,929		12,929
ICM revenue included in variance account	295	380,411	380,411	0
ARO Accretion expense				0
Capital Contributions Received (ITA 12(1)(x))				0
Lease Inducements Received (ITA 12(1)(x))				0
Deferred Revenue (ITA 12(1)(a))				0
Prior Year Investment Tax Credits received				0
Non-deductible expense relating to accounting policy changes - depreciation/overheads		696,846	696,846	0

				0
				0
				0
				0
				0
				0
				0
				0
				0
Total Additions		**4,671,519**	**1,142,270**	**3,529,249**
Deductions:				
Gain on disposal of assets per financial statements	401			0
Dividends not taxable under section 83	402			0
Capital cost allowance from Schedule 8	403	3,578,194	51,040	3,527,154
Terminal loss from Schedule 8	404			0
Cumulative eligible capital deduction from Schedule 10	405	71,165		71,165
Allowable business investment loss	406			0
Deferred and prepaid expenses	409			0
Scientific research expenses claimed in year	411			0
Tax reserves claimed in current year	413			0
Reserves from financial statements - balance at beginning of year	414	1,458,962		1,458,962
Contributions to deferred income plans	416			0
Book income of joint venture or partnership	305			0
Equity in income from subsidiary or affiliates	306			0
Other deductions: (Please explain in detail the nature of the item)				
Interest capitalized for accounting deducted for tax	390			0
Capital Lease Payments	391			0
Non-taxable imputed interest income on deferral and variance accounts	392			0
Mark to market adjustment on RBC loan	393	711,811	711,811	0
Non taxable reg asset items	394	484,634	484,634	0
ARO Payments - Deductible for Tax when Paid				0
ITA 13(7.4) Election - Capital Contributions Received				0
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds				0
Deferred Revenue - ITA 20(1)(m) reserve				0
Principal portion of lease payments				0
Lease Inducement Book Amortization credit to income				0
Financing fees for tax ITA 20(1)(e) and (e.1)				0
Apprentice income booked for accounting		12,000		12,000
				0
				0
				0
				0
				0
				0
Total Deductions		**6,316,766**	**1,247,485**	**5,069,281**
Net Income for Tax Purposes		**1,858,658**	**-137,239**	**1,995,897**
Charitable donations from Schedule 2	311	50,150	50,150	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320			0
Non-capital losses of preceding taxation years from Schedule 4	331			0
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332			0
Limited partnership losses of preceding taxation years from Schedule 4	335			0
TAXABLE INCOME		**1,808,508**	**-187,389**	**1,995,897**

Income Tax/PILs Workform for 2014 Filers

PILs Tax Provision - Historic Year

Note: Input the actual information from the tax returns for the historic year.

						Wires Only	
Regulatory Taxable Income						$ 1,995,897	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.00%	**B**	$ 219,549	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**				
	Rate reduction (negative)	-7.00%	**E**	-$ 35,000	**F = D * E**		
Ontario Income tax						$ 184,549	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			9.25%	**K = J / A**		
	Federal tax rate			15.50%	**L**		
	Combined tax rate					24.75%	**M = K + L**
Total Income Taxes						**$ 493,913**	**N = A * M**
Investment Tax Credits						$ 12,000	**O**
Miscellaneous Tax Credits							**P**
Total Tax Credits						**$ 12,000**	**Q = O + P**
Corporate PILs/Income Tax Provision for Historic Year						**$ 481,913**	**R = N - Q**

Income Tax/PILs Workform for 2014 Filers

Schedule 8 CCA - Bridge Year

Class	Class Description	UCC Regulated Historic Year	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
1	Distribution System - post 1987	$ 18,893,583	$ 80,000		$ 18,973,583	$ 40,000	$ 18,933,583	4%	$ 757,343	$ 18,216,240
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ 5,691,536			$ 5,691,536	$ -	$ 5,691,536	6%	$ 341,492	$ 5,350,044
2	Distribution System - pre 1988	$ 2,813,231			$ 2,813,231	$ -	$ 2,813,231	6%	$ 168,794	$ 2,644,437
8	General Office/Stores Equip	$ 2,123,882	$ 270,000		$ 2,393,882	$ 135,000	$ 2,258,882	20%	$ 451,776	$ 1,942,106
10	Computer Hardware/ Vehicles	$ 616,752	$ 60,000		$ 676,752	$ 30,000	$ 646,752	30%	$ 194,026	$ 482,726
10.1	Certain Automobiles				$ -	$ -	$ -	30%	$ -	$ -
12	Computer Software	$ 46,055	$ 252,000		$ 298,055	$ 126,000	$ 172,055	100%	$ 172,055	$ 126,000
13 1	Lease # 1				$ -	$ -	$ -		$ -	$ -
13 2	Lease #2				$ -	$ -	$ -		$ -	$ -
13 3	Lease # 3				$ -	$ -	$ -		$ -	$ -
13 4	Lease # 4				$ -	$ -	$ -		$ -	$ -
14	Franchise	$ 424,701			$ 424,701	$ -	$ 424,701	4%	$ 16,988	$ 407,713
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	$ 121,055			$ 121,055	$ -	$ 121,055	8%	$ 9,684	$ 111,371
42	Fibre Optic Cable				$ -	$ -	$ -	12%	$ -	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment				$ -	$ -	$ -	30%	$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -	$ -	50%	$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 785			$ 785	$ -	$ 785	45%	$ 353	$ 432
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	$ 8,192			$ 8,192	$ -	$ 8,192	30%	$ 2,458	$ 5,734
47	Distribution System - post February 2005	$ 22,248,840	$ 1,923,001		$ 24,171,841	$ 961,501	$ 23,210,341	8%	$ 1,856,827	$ 22,315,014
50	Data Network Infrastructure Equipment - post Mar 2007	$ 163,649	$ 38,000		$ 201,649	$ 19,000	$ 182,649	55%	$ 100,457	$ 101,192
52	Computer Hardware and system software				$ -	$ -	$ -	100%	$ -	$ -
95	CWIP				$ -	$ -	$ -		$ -	$ -
6	Fence	$ 94,567			$ 94,567	$ -	$ 94,567	10%	$ 9,457	$ 85,110
14	Limited life intangible	$ 464,219			$ 464,219	$ -	$ 464,219	7%	$ 30,948	$ 433,271
98	Meter stock	$ 280,676			$ 280,676	$ -	$ 280,676	0%	$ -	$ 280,676
98	Transformer stock	$ 1,193,404			$ 1,193,404	$ -	$ 1,193,404	0%	$ -	$ 1,193,404
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
	TOTAL	$ 55,185,127	$ 2,623,001	$ -	$ 57,808,128	$ 1,311,501	$ 56,496,628		$ 4,112,658	$ 53,695,470

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Bridge Year

Cumulative Eligible Capital				**945,471**
Additions				
Cost of Eligible Capital Property Acquired during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**945,471**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**945,471**
Current Year Deduction		**945,471**	**x 7% =**	**66,183**
Cumulative Eligible Capital - Closing Balance				**879,288**

Schedule 13 Tax Reserves - Bridge Year

Continuity of Reserves

Description	Historic Utility Only	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Bridge Year Adjustments: Additions	Bridge Year Adjustments: Disposals	Balance for Bridge Year	Change During the Year	Disallowed Expenses
Capital Gains Reserves ss.40(1)	0		0			0	0	
Tax Reserves Not Deducted for accounting purposes								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	0		0			0	0	
- Medical and Life Insurance	0		0			0	0	
-Short & Long-term Disability	0		0			0	0	
-Accmulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	1,397,008		1,397,008	1,400,000	1,397,008	1,400,000	2,992	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**1,397,008**	**0**	**1,397,008**	**1,400,000**	**1,397,008**	**1,400,000**	**2,992**	**0**

Income Tax/PILs Workform for 2014 Filers

Corporation Loss Continuity and Application

Schedule 7-1 Loss Carry Forward - Bridge Year

Non-Capital Loss Carry Forward Deduction	**Total**
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
Amount to be used in Bridge Year	
Balance available for use post Bridge Year	0

Net Capital Loss Carry Forward Deduction	**Total**
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
Amount to be used in Bridge Year	
Balance available for use post Bridge Year	0

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Bridge Year

	T2S1 line #	Total for Regulated Utility
Income before PILs/Taxes	**A**	2,537,244

Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets	104	1,900,980
Amortization of intangible assets	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	60,000
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	5,000
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves deducted in prior year	125	0
Reserves from financial statements- balance at end of year	126	1,400,000
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Bridge Year

Other Additions		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
Accounting policy changes	294	
ICM revenue included in variance account	295	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
VR interest expense		
Apprenticeship credit		12,000
Total Additions		**3,377,980**
Deductions:		
Gain on disposal of assets per financial statements	401	3,210
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	4,112,658
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10	405	66,183
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves claimed in current year	413	0
Reserves from financial statements - balance at beginning of year	414	1,397,008
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		

Adjusted Taxable Income - Bridge Year

Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
Operating expenses included in variance account	393	
	394	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Total Deductions		**5,579,059**
Net Income for Tax Purposes		**336,165**
Charitable donations from Schedule 2	311	
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	
Non-capital losses of preceding taxation years from Schedule 4	331	
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
TAXABLE INCOME		**336,165**

Income Tax/PILs Workform for 2014 Filers

PILS Tax Provision - Bridge Year

						Wires Only	
Regulatory Taxable Income						$ 336,165	A
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	4.50%	B	$ 15,127	C = A * B		
Small business credit	Ontario Small Business Threshold	$ -	D				
	Rate reduction	-7.00%	E	$ -	F = D * E		
Ontario Income tax						$ 15,127	J = C + F
Combined Tax Rate and PILs	Effective Ontario Tax Rate			4.50%	K = J / A		
	Federal tax rate			11.00%	L		
	Combined tax rate					15.50%	M = K + L
Total Income Taxes						**$ 52,106**	N = A * M
Investment Tax Credits						$ 12,000	O
Miscellaneous Tax Credits						$ -	P
Total Tax Credits						**$ 12,000**	Q = O + P
Corporate PILs/Income Tax Provision for Bridge Year						**$ 40,106**	R = N - Q

Note:

1. This is for the derivation of Bridge year PILs income tax expense and should not be used for Test year revenue requirement calculations.

Income Tax/PILs Workform for 2014 Filers

Schedule 8 CCA - Test Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	$ 18,216,240	90,000		$ 18,306,240	$ 45,000	$ 18,261,240	4%	$ 730,450	$ 17,575,790
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ 5,350,044			$ 5,350,044	$ -	$ 5,350,044	6%	$ 321,003	$ 5,029,041
2	Distribution System - pre 1988	$ 2,644,437			$ 2,644,437	$ -	$ 2,644,437	6%	$ 158,666	$ 2,485,771
8	General Office/Stores Equip	$ 1,942,106	255,000		$ 2,197,106	$ 127,500	$ 2,069,606	20%	$ 413,921	$ 1,783,184
10	Computer Hardware/ Vehicles	$ 482,726	135,000		$ 617,726	$ 67,500	$ 550,226	30%	$ 165,068	$ 452,658
10.1	Certain Automobiles	$ -			$ -	$ -	$ -	30%	$ -	$ -
12	Computer Software	$ 126,000	215,000		$ 341,000	$ 107,500	$ 233,500	100%	$ 233,500	$ 107,500
13 1	Lease # 1	$ -			$ -	$ -	$ -		$ -	$ -
13 2	Lease #2	$ -			$ -	$ -	$ -		$ -	$ -
13 3	Lease # 3	$ -			$ -	$ -	$ -		$ -	$ -
13 4	Lease # 4	$ -			$ -	$ -	$ -		$ -	$ -
14	Franchise	$ 407,713			$ 407,713	$ -	$ 407,713	4%	$ 16,309	$ 391,404
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than B	$ 111,371			$ 111,371	$ -	$ 111,371	8%	$ 8,910	$ 102,461
42	Fibre Optic Cable	$ -			$ -	$ -	$ -	12%	$ -	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment	$ -			$ -	$ -	$ -	30%	$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -	$ -	50%	$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 432			$ 432	$ -	$ 432	45%	$ 194	$ 237
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	$ 5,734			$ 5,734	$ -	$ 5,734	30%	$ 1,720	$ 4,014
47	Distribution System - post February 2005	$ 22,315,014	1,746,500		$ 24,061,514	$ 873,250	$ 23,188,264	8%	$ 1,855,061	$ 22,206,453
50	Data Network Infrastructure Equipment - post Mar 2007	$ 101,192	30,000		$ 131,192	$ 15,000	$ 116,192	55%	$ 63,906	$ 67,286
52	Computer Hardware and system software	$ -			$ -	$ -	$ -	100%	$ -	$ -
95	CWIP	$ -			$ -	$ -	$ -	0%	$ -	$ -
6	Fence	$ 85,110			$ 85,110	$ -	$ 85,110	10%	$ 8,511	$ 76,599
14	Limited life intangible	$ 433,271			$ 433,271	$ -	$ 433,271	7%	$ 28,885	$ 404,386
98	Meter stock	$ 280,676			$ 280,676	$ -	$ 280,676	0%	$ -	$ 280,676
98	Transformer stock	$ 1,193,404			$ 1,193,404	$ -	$ 1,193,404	0%	$ -	$ 1,193,404
					$ -	$ -	$ -	0%	$ -	$ -
	Additions on 2015 continuity but added for CCA purposes in prior year		14,398,308	-14,398,308	$ -	$ -	$ -	0%	$ -	$ -
	Land additions - no CCA ded		913,474	-913,474	$ -	$ -	$ -	0%	$ -	$ -
					$ -	$ -	$ -	0%	$ -	$ -
					$ -	$ -	$ -	0%	$ -	$ -
					$ -	$ -	$ -	0%	$ -	$ -
	TOTAL	$ 53,695,470	$ 17,783,282	-$ 15,311,782	$ 56,166,970	$ 1,235,750	$ 54,931,220		$ 4,006,103	$ 52,160,867

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital				879,288
Additions				
Cost of Eligible Capital Property Acquired during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**879,288**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**879,288**
Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")		**879,288**	**x 7% =**	**61,550**
Cumulative Eligible Capital - Closing Balance				**817,738**

Income Tax/PILs Workform for 2014 Filers

Schedule 13 Tax Reserves - Test Year

Continuity of Reserves

				Test Year Adjustments				
Description	**Bridge Year**	**Eliminate Amounts Not Relevant for Bridge Year**	**Adjusted Utility Balance**	**Additions**	**Disposals**	**Balance for Test Year**	**Change During the Year**	**Disallowed Expenses**
Capital Gains Reserves ss.40(1)	0		0			0	0	
Tax Reserves Not Deducted for accounting purposes								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	0		0			0	0	
- Medical and Life Insurance	0		0			0	0	
-Short & Long-term Disability	0		0			0	0	
-Accmulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	1,400,000		1,400,000	1,400,000	1,400,000	1,400,000	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**1,400,000**	**0**	**1,400,000**	**1,400,000**	**1,400,000**	**1,400,000**	**0**	**0**

Schedule 7-1 Loss Carry Forward - Test Year

Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	**Total**	**Non-Distribution Portion**	**Utility Balance**
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Net Capital Loss Carry Forward Deduction	**Total**	**Non-Distribution Portion**	**Utility Balance**
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Income Tax/PILs Workform for 2014 Filers

Taxable Income - Test Year

	T2 S1 line #	Test Year Taxable Income
Net Income Before Taxes		2,362,501
Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets *2-4 ADJUSTED ACCOUNTING DATA P489*	104	2,679,285
Amortization of intangible assets *2-4 ADJUSTED ACCOUNTING DATA P490*	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	5,000
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	0
Reserves from financial statements- balance at end of year	126	1,400,000
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	

Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Other Additions: (please explain in detail the nature of the item)		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
Apprenticeship credit from prior year	294	12,000
	295	
	296	
	297	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
Total Additions		**4,096,285**
Deductions:		
Gain on disposal of assets per financial statements	401	55,210
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	4,006,103
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10 CEC	405	61,550
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves end of year	413	0
Reserves from financial statements - balance at beginning of year	414	1,400,000
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		
Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	

Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
	395	
	396	
	397	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Total Deductions		**5,522,863**
NET INCOME FOR TAX PURPOSES		**935,923**
Charitable donations	311	
Taxable dividends received under section 112 or 113	320	
Non-capital losses of preceding taxation years from Schedule 7-1	331	
Net-capital losses of preceding taxation years (Please show calculation)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
REGULATORY TAXABLE INCOME		**935,923**

Income Tax/PILs Workform for 2014 Filers

PILs Tax Provision - Test Year

							Wires Only	
Regulatory Taxable Income							$ 935,923	**A**
Ontario Income Taxes								
Income tax payable	**Ontario Income Tax**	11.50%	**B**	$	107,631	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**					
	Rate reduction	-7.00%	**E**	-$	35,000	**F = D * E**		
Ontario Income tax							$ 72,631	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate				7.76%	**K = J / A**		
	Federal tax rate				15.00%	**L**		
	Combined tax rate						22.76%	**M = K + L**
Total Income Taxes							**$ 213,020**	**N = A * M**
Investment Tax Credits							$ 10,000	**O**
Miscellaneous Tax Credits								**P**
Total Tax Credits							**$ 10,000**	**Q = O + P**
Corporate PILs/Income Tax Provision for Test Year							**$ 203,020**	**R = N - Q**
Corporate PILs/Income Tax Provision Gross Up [1]					77.24%	**S = 1 - M**	**$ 59,824**	**T = R / S - R**
Income Tax (grossed-up)							**$ 262,844**	**U = R + T**

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.

Supporting Documentation

The material adjustments included in the 2013 – 2015 taxable income calculations included in the PILS models is supported via the following sections of this application:

- Depreciation expense for 2013 – 2015 included in OEB appendix 2-BA continuity schedules in E2/T1/S1/A1
- Charitable donations added back in the PILS calculation are all donations (excluding contributions required for the LEAP program) included in the P&L in 2013 – 2015. Charitable donations are summarized in E4/T3/S8.
- The current year reserve for post employment benefits is added back in the PILS calculation, and the prior year's reserve is deducted. The 2013 add back of $1.4M is supported by the 2013 financial statements included in E1/T4/S1/A3 (2013 reserve) as well as in the actuarial valuation included in E4/T3/S2/A1. The 2013 deduction of $1.5M is supported by the 2012 reserve amount included in the 2012 financial statements at E1/T4/S1/A1. The 2014 and 2015 reserve has been estimated at $1.4M. Festival has not yet received documentation from our actuary as to their projections of this liability for 2014 and 2015 and as such Festival estimated it will remain relatively flat as a result of no anticipated market interest rate changes in the period and little fluctuation in headcount.
- CCA and CEC deductions included in the PILS calculations for 2013 – 2015 are as per the detailed schedules included in the PILS model E4/T5/S1/A1.
- In the bridge year, a loss of $60K has been projected and is being added back in the PILS calculation. This loss is being projected as a result of the disposal of a municipal substation and represents the cost of preparing the property for sale.

Attachment 1 of 1

2012 NOA and 2013 Tax Returns

Canada Revenue Agency | Agence du revenu du Canada

Summerside PE C1N 5Z7

RECEIVED
JUL 09 2013
FESTIVAL HYDRO INC.

Date	July 3, 2013
Business Number	89957 1814 RC0002
Tax year-end	December 31, 2012

0003667

FESTIVAL HYDRO INC
PO BOX 397
STRATFORD ON N5A 6T5

CORPORATION NOTICE OF ASSESSMENT

RESULTS

Thank you for choosing to use our Corporation Internet Filing service.

This notice explains the results of our assessment of the "T2 Corporation Income Tax Return" for the tax year indicated above. It also explains any changes we may have made to the return.

Result of this Assessment :	$	0.00
Prior balance:	$	0.00
		================
Total balance:	$	0.00

Please refer to the Summary and Explanation for additional information.

Canada Revenue Agency | Agence du revenu du Canada

FESTIVAL HYDRO INC

Date	July 3, 2013
Business Number	89957 1814 RC0002
Tax year-end	December 31, 2012

CORPORATION NOTICE OF ASSESSMENT

SUMMARY OF ASSESSMENT

	$ Reported	$ Assessed
Federal Tax:		
Part I	0.00	0.00
Part I.3	0.00	0.00
Part II	0.00	0.00
Part III.1	0.00	0.00
Part IV	0.00	0.00
Part IV.1	0.00	0.00
Part VI	0.00	0.00
Part VI.1	0.00	0.00
Part XIII.1	0.00	0.00
Part XIV	0.00	0.00
Total Federal Tax:		$ 0.00
Net balance:		$ 0.00
Result of this assessment:		$ 0.00
Prior balance:		$ 0.00
Total balance:		$ 0.00

Andrew Treusch
Commissioner of Revenue

EXPLANATION

We have revised the net income for tax purposes to include the amount of amortization of tangible assets reported on the financial statements or the "General Index of Financial Information."

For general information regarding filing an objection, determining a corporation's losses, or reassessment periods, please refer to the "T2 Corporation Income Tax Guide" or visit our Web site at www.cra.gc.ca.

You can choose to receive CRA correspondence exclusively online. When you register for this new service, we will no longer print and mail most correspondence items to you. Instead, we will send you an email notification when we have mail for you to view in your secure online account. For more information regarding online services, go to www.cra.gc.ca/mybusinessaccount.

The Canada Revenue Agency offers the convenience of direct deposit. For more information, visit www.cra.gc.ca or call us at the number shown below.

For information visit www.cra.gc.ca or contact:

Business Enquiries: 1-800-959-5525
Summerside Tax Centre
275 Pope Road
Summerside PE C1N 5Z7
Fax 902-432-5938

Kitchener/Waterloo TSO

Ontario

Ministry of Finance
33 King St W
PO Box 622
Oshawa ON L1H 8H6

HPL - tL059

Issue Date 13-Jun-2013

FESTIVAL HYDRO INC.
ATTENTION: C/O KELLY MCCANN
187 ERIE ST
STRATFORD ON N5A 2M6

Business No. 899571814TW0001
Reference No. L0070289472

→ Lesley Houston.
→ 15072

Notice of Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

Your account has been assessed resulting in a balance as indicated below.

Period Ending: 31-Dec-2012		**Return As Filed**	
Total Federal Tax		$406,566.00	
Total Ontario Tax		$278,234.00	
Total Credits		($10,929.00)	
Loss Carry-back		$0.00	
Total Tax Payable		$673,871.00	
Interest		~~$1,187.70~~	~~(808,000)~~
Current Penalty		$0.00	
Credits/Payments		~~($600,000.00)~~	808,000
Total Assessment	$ 134K Refund.	**$75,058.70**	134,129

As of 13-Jun-2013, including the amount assessed above, you have an overall balance on your account of $75,058.70.

If you have any questions concerning this Notice of Assessment, please call the number listed below. After discussion with a ministry representative, if you still do not agree with this assessment you have the right to file a Notice of Objection with the Objections and Appeals Branch within 180 days of the issue date of this form. Any taxes, interest and penalties that are outstanding as a result of the assessment are due and payable even if you have filed, or intend to file, a Notice of Objection.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

Enclosure

$ 134,089.
→ $40.

⇒ Called Lesley Houston June 21 to transfer 01/31/13 instal of $208K to 2012 yr.

⇒

Ministry use only

Ontario

Ministry of Finance
33 King St W
PO Box 620
Oshawa ON L1H 8E9

Issue Date 13-Jun-2013

Business No. 899571814TW0001
Reference No. L0562458688

HPL - tL045

0000003

FESTIVAL HYDRO INC.
ATTENTION: C/O KELLY MCCANN
187 ERIE ST
STRATFORD ON N5A 2M6

RECEIVED
JUN 20 2013
FESTIVAL HYDRO INC.

Statement of Account - Hydro Payment in Lieu

Account Balance $75,058.70

According to our records, you have an outstanding balance on your account as indicated above. In order to avoid any additional interest, the account balance must be received by the Ministry of Finance on or before 28-Jun-2013.

Please note that outstanding balances are subject to collection action.

If payment has been made, please disregard this notice.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

Tax Period End	Description	Tax Payable	Penalty/Fee	Interest	Credit/Payment	Balance
31-Dec-2012	Annual Return	$673,871.00	$0.00	$1,187.70	$600,000.00	$75,058.70

~~50K Jan~~
288k Feb

+$208k pd
Jan.

Enquiries	1 866 ONT-TAXS 1 866 668-8297	Fax 1 866 888-3850	Teletypewriter (TTY) 1 800 263-7776 Internet **ontario.ca/finance**

Ontario

Ministry of Finance
33 King St W
PO Box 620
Oshawa ON L1H 8E9

Detach and return with your full payment.

Hydro Payment in Lieu
Account Payment

tL045 - 6

Business No.	Reference No.	Balance Due
899571814TW0001	L0562458688	**$75,058.70**

Payments may be made:
- using ONT-TAXS online at **ontario.ca/finance**
- in person at certain ServiceOntario locations
- by mail to 33 King St W, PO Box 620, Oshawa ON L1H 8E9

Make your cheque or money order in Canadian funds payable to the **Ontario Electricity Financial Corporation.**

Payments cannot be made at financial institutions.

FESTIVAL HYDRO INC.
ATTENTION: C/O KELLY MCCANN
187 ERIE ST
STRATFORD ON N5A 2M6

700 HPL 899571814TW0001 20121231 20904136963 000 00007505870 7

Canada Revenue Agency | Agence du revenu du Canada

INFORMATION RETURN FOR CORPORATIONS FILING ELECTRONICALLY

- You have to complete this return to allow your transmitter to electronically file your corporation income tax return to us at the Canada Revenue Agency. You have to complete this return for each tax year.
- By completing part B and signing part C, you acknowledge that, under the *Income Tax Act*, you have to keep all records used to prepare your corporation income tax return, and provide this information to us on request.
- Part D must be completed by either you or the electronic transmitter of your corporation income tax return.
- Give the signed original of this return to the transmitter and keep a copy for yourself. Under the Act, you have to keep your copy for six years.
- We are responsible for ensuring the confidentiality of your electronically filed tax information only after we have accepted it.

This return is for your records. Do not send it to us unless we ask for it.

Part A – Identification

Name of corporation: Festival Hydro Inc.

Business Number	Tax year	From (Y M D)	To (Y M D)
89957 1814 RC0001		2013-01-01	2013-12-31

Part B – Declaration

Enter the following amounts, if applicable, from your corporation income tax return for the tax year noted above:

Net income or (loss) for income tax purposes from Schedule 1, financial statements or GIFI (line 300)	1,858,657
Part I tax payable (line 700)	
Part II surtax payable (line 708)	
Part III.1 tax payable (line 710)	
Part IV tax payable (line 712)	
Part IV.1 tax payable (line 716)	
Part VI tax payable (line 720)	
Part VI.1 tax payable (line 724)	
Part XIV tax payable (line 728)	
Net provincial and territorial tax payable (line 760)	
Provincial tax on large corporations (line 765)	

Part C – Certification and authorization

I, Reece (Last name in block letters), Debbie (First name in block letters), COO (Position, office, or rank),

am an authorized signing officer of the corporation. I certify that I have examined the corporation T2 income tax return, including accompanying schedules and statements, and that the information given on the T2 return and this T183 Corp information return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

I authorize the transmitter identified in Part D to electronically file the corporation income tax return identified in Part A. The transmitter can also modify the information originally filed in response to any errors Canada Revenue Agency identifies. This authorization expires when the Minister of National Revenue accepts the electronic return as filed.

Date (yyyy/mm/dd)	Signature of an authorized signing officer of the corporation	Telephone number
2014-05-14		(519) 271-4700

Part D – Transmitter identification

The following transmitter has electronically filed the tax return of the corporation identified in Part A.

Name of person or firm: KPMG LLP

Electronic filer number: A4970

Privacy Act, Personal Information Bank number CRA PPU 047

Canada Revenue Agency / Agence du revenu du Canada

T2 Corporation Income Tax Return

200

EXEMPT FROM TAX

055 **Do not use this area**

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see **www.cra.gc.ca** or Guide T4012, *T2 Corporation – Income Tax Guide*.

Identification

Business number (BN) 001 89957 1814 RC0001

Corporation's name
002 Festival Hydro Inc.

Address of head office
Has this address changed since the last time we were notified? . . . . 010 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 011 to 018.)
011 187 Erie Street
012

City	Province, territory, or state
015 Stratford	016 ON
Country (other than Canada)	Postal code/Zip code
017 CA	018 N5A 2M6

Mailing address (if different from head office address)
Has this address changed since the last time we were notified? . . . . 020 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 021 to 028.)
021 c/o
022 187 Erie Street
023

City	Province, territory, or state
025 Stratford	026 ON
Country (other than Canada)	Postal code/Zip code
027 CA	028 N5A 2M6

Location of books and records
Has the location of books and records changed since the last time we were notified? . . . . 030 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 031 to 038.)
031 187 Erie Street
032

City	Province,territory, or state
035 Stratford	036 ON
Country (other than Canada)	Postal code/Zip code
037 CA	038 N5A 2M6

040 **Type of corporation at the end of the tax year**
1 [X] Canadian-controlled private corporation (CCPC)
2 [ ] Other private corporation
3 [ ] Public corporation
4 [ ] Corporation controlled by a public corporation
5 [ ] Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change . . . . 043 ______ YYYY MM DD

To which tax year does this return apply?
Tax year start 060 2013-01-01 (YYYY MM DD)
Tax year-end 061 2013-12-31 (YYYY MM DD)

Has there been an acquisition of control to which subsection 249(4) applies since the tax year start on line 060? . . . . 063 1 Yes [ ] 2 No [X]

If **yes**, provide the date control was acquired . . . . 065 ______ YYYY MM DD

Is the date on line 061 a deemed tax year-end according to:
subparagraph 88(2)(a)(iv)? . . . . 064 1 Yes [ ] 2 No [X]
subsection 249(3.1)? . . . . 066 1 Yes [ ] 2 No [X]

Is the corporation a professional corporation that is a member of a partnership? . . . . 067 1 Yes [ ] 2 No [X]

Is this the first year of filing after:
Incorporation? . . . . 070 1 Yes [ ] 2 No [X]
Amalgamation? . . . . 071 1 Yes [ ] 2 No [X]
If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? . . . . 072 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? . . . . 076 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? . . . . 078 1 Yes [ ] 2 No [X]

If an election was made under section 261, state the functional currency used . . . . 079 ______

Is the corporation a resident of Canada?
080 1 Yes [X] 2 No [ ] If **no**, give the country of residence on line 081 and complete and attach Schedule 97.
081 ______

Is the non-resident corporation claiming an exemption under an income tax treaty? . . . . 082 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:
085
1 [ ] Exempt under paragraph 149(1)(e) or (l)
2 [ ] Exempt under paragraph 149(1)(j)
3 [ ] Exempt under paragraph 149(1)(t)
4 [X] Exempt under other paragraphs of section 149

Do not use this area
095 096

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

		Yes	Schedule
Is the corporation related to any other corporations?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders who own voting shares?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered **yes** to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165		15
Is the corporation claiming a loss or deduction from a tax shelter?	166		T5004
Is the corporation a member of a partnership for which a partnership account number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205		5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206		6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	207		7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232		T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134
Did the corporation have any controlled foreign affiliates?	258		T1134
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268		53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

Additional information

		1 Yes	2 No
Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270		X
Is the corporation inactive?	280		X

What is the corporation's main revenue-generating business activity? 221122 Electric Power Distribution

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	Hydro Services	285	100.000 %
286		287	%
288		289	%

		1 Yes	2 No
Did the corporation immigrate to Canada during the tax year?	291		X
Did the corporation emigrate from Canada during the tax year?	292		X
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293		

If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible 294 ______ YYYY MM DD

If the corporation's major business activity is construction, did you have any subcontractors during the tax year? 295 1 Yes ☐ 2 No ☐

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.	300		1,858,657	A
Deduct: Charitable donations from Schedule 2	311	50,150		
Gifts to Canada, a province, or a territory from Schedule 2	312			
Cultural gifts from Schedule 2	313			
Ecological gifts from Schedule 2	314			
Gifts of medicine from Schedule 2	315			
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320			
Part VI.1 tax deduction*	325			
Non-capital losses of previous tax years from Schedule 4	331			
Net capital losses of previous tax years from Schedule 4	332			
Restricted farm losses of previous tax years from Schedule 4	333			
Farm losses of previous tax years from Schedule 4	334			
Limited partnership losses of previous tax years from Schedule 4	335			
Taxable capital gains or taxable dividends allocated from a central credit union	340			
Prospector's and grubstaker's shares	350			
Subtotal		50,150	▶ 50,150	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")			1,808,507	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355			D
Taxable income (amount C **plus** amount D)	360		1,808,507	
Income exempt under paragraph 149(1)(t)	370			
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)				Z

* This amount is equal to 3.5 times the Part VI.1 tax payable at line 724 on page 8. Use 3.2 for tax years ending before 2012.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	1,858,657	A
Taxable income from line 360 on page 3, **minus** 100/28* 3.57143 of the amount on line 632** on page 7, **minus** 1/(0.38 - X***) 4 times the amount on line 636**** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax	405		B
Business limit (see notes 1 and 2 below)	410	500,000	C

Notes:

1. For CCPCs that are not associated, enter $ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C 500,000 x (415 ***** 90,205 D / 11,250) = 4,009,111 E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") 425 ______ F

Small business deduction

Amount A, B, C, or F, whichever is the least ______ x 17 % = 430 ______ G

Enter amount G on line 1 on page 7.

* 10/3 for tax years ending before November 1, 2011. The result of the multiplication by line 632 has to be pro-rated based on the number of days in the tax year that are in each period: before November 1, 2011, and after October 31, 2011.

** Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

*** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

**** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

***** **Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360 on page 3*				A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27			B	
Amount QQ from Part 13 of Schedule 27			C	
Personal service business income**	432		D	
Amount used to calculate the credit union deduction (amount F from Schedule 17)			E	
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			F	
Aggregate investment income from line 440 on page 6***			G	
Total of amounts B to G			▶	H
Amount A **minus** amount H (if negative, enter "0")				I

Amount I		x	Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year	/ 365	x	11.5 %	=	J
Amount I		x	Number of days in the tax year after December 31, 2011 / Number of days in the tax year	365 / 365	x	13 %	=	K

General tax reduction for Canadian-controlled private corporations – Amount J **plus** amount K L
Enter amount L on line 638 on page 7.

* For tax years ending after October 31, 2011, line 360 or amount Z, whichever applies.
** For tax years beginning after October 31, 2011.
*** Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)				M
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27			N	
Amount QQ from Part 13 of Schedule 27			O	
Personal service business income*	434		P	
Amount used to calculate the credit union deduction (amount F from Schedule 17)			Q	
Total of amounts N to Q			▶	R
Amount M **minus** amount R (if negative, enter "0")				S

Amount S		x	Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year	/ 365	x	11.5 %	=	T
Amount S		x	Number of days in the tax year after December 31, 2011 / Number of days in the tax year	365 / 365	x	13 %	=	U

General tax reduction – Amount T **plus** amount U V
Enter amount V on line 639 on page 7.

* For tax years beginning after October 31, 2011.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7	**440** ____ x 26 2/3 % =			A
Foreign non-business income tax credit from line 632 on page 7			B	
Deduct:				
Foreign investment income from Schedule 7	**445** ____ x 9 1/3 % =		C	
	(if negative, enter "0")		▶	D
Amount A **minus** amount D (if negative, enter "0")				E
Taxable income from line 360 on page 3		1,808,507	F	
Deduct:				
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least		G		
Foreign non-business income tax credit from line 632 on page 7	____ x 100 / 35 (25/9*) =	H		
Foreign business income tax credit from line 636 on page 7	____ x 1(0.38 - X**) / 4 =	I		
	Subtotal ▶		J	
		1,808,507	K	
		x 26 2/3 % =	482,269	L
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 from page 8)				M
Refundable portion of Part I tax – Amount E, L, or M, whichever is the least			**450**	N

* 100/35 for tax years beginning after October 31, 2011.

** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year	**460**		
Deduct: Dividend refund for the previous tax year	**465**		
		▶	O
Add the total of:			
Refundable portion of Part I tax from line 450 above		P	
Total Part IV tax payable from Schedule 3		Q	
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	**480**		
		▶	R
Refundable dividend tax on hand at the end of the tax year – Amount O **plus** amount R		**485**	

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3	1,224,843 x 1 / 3 =	408,281	S
Refundable dividend tax on hand at the end of the tax year from line 485 above			T
Dividend refund – Amount S or T, whichever is less (enter this amount on line 784 on page 8)			

Part I tax

Base amount of Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38 %	550		A
Recapture of investment tax credit from Schedule 31	602		B

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6			i
Taxable income from line 360 on page 3	1,808,507		
Deduct: Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Net amount	1,808,507 ▶	1,808,507	ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii	604		C
Subtotal (**add** amounts A to C)			D

Deduct:

Small business deduction from line 430 on page 4			1
Federal tax abatement	608		
Manufacturing and processing profits deduction from Schedule 27	616		
Investment corporation deduction	620		
Taxed capital gains 624			
Additional deduction – credit unions from Schedule 17	628		
Federal foreign non-business income tax credit from Schedule 21	632		
Federal foreign business income tax credit from Schedule 21	636		
General tax reduction for CCPCs from amount L on page 5	638		
General tax reduction from amount V on page 5	639		
Federal logging tax credit from Schedule 21	640		
Federal qualifying environmental trust tax credit	648		
Investment tax credit from Schedule 31	652		
Subtotal		▶	E

Part I tax payable – Amount D **minus** amount E		F

Enter amount F on line 700 on page 8.

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		

Add provincial or territorial tax:

Provincial or territorial jurisdiction 750 ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta)	760	
Provincial tax on large corporations (Nova Scotia Schedule 342)	765	
(The Nova Scotia tax on large corporations is eliminated effective July 1, 2012.) Total provincial tax		
Total tax payable	770	A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	
Total credits	890	B

Refund code 894 1 Overpayment

Balance (amount A **minus** amount B)

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid

Enclosed payment 898

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information

910 Branch number

914 Institution number 918 Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? 896 1 Yes ☐ 2 No X

If this return was prepared by a tax preparer for a fee, provide their EFILE number 920 A4970

PREPARED SOLELY FOR INCOME TAX PURPOSES WITHOUT AUDIT OR REVIEW FROM INFORMATION PROVIDED BY THE TAXPAYER.

Certification

I, 950 Reece (Last name (print)) 951 Debbie (First name (print)) 954 COO (Position, office, or rank),

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 2014-05-14 Date (yyyy/mm/dd) — Signature of the authorized signing officer of the corporation — 956 (519) 271-4700 Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below 957 1 Yes ☐ 2 No X

958 Kelly McCann Name (print) — 959 (519) 271-4700 Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français. 990 1

Privacy Act, Personal Information Bank number CRA PPU 047

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 100

Form identifier 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

Balance sheet information

Account	Description	GIFI		Current year	Prior year
	Assets				
	Total current assets	1599	+	13,487,396	12,054,623
	Total tangible capital assets	2008	+	88,786,869	94,613,687
	Total accumulated amortization of tangible capital assets	2009	–	52,001,401	49,921,178
	Total intangible capital assets	2178	+	2,207,107	1,050,989
	Total accumulated amortization of intangible capital assets	2179	–		
	Total long-term assets	2589	+	14,662,707	2,732,143
	* Assets held in trust	2590	+		
	Total assets (mandatory field)	2599	=	67,142,678	60,530,264
	Liabilities				
	Total current liabilities	3139	+	27,617,147	25,286,306
	Total long-term liabilities	3450	+	17,243,143	14,802,631
	* Subordinated debt	3460	+		
	* Amounts held in trust	3470	+		
	Total liabilities (mandatory field)	3499	=	44,860,290	40,088,937
	Shareholder equity				
	Total shareholder equity (mandatory field)	3620	+	22,282,388	20,441,327
	Total liabilities and shareholder equity	3640	=	67,142,678	60,530,264
	Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849	=	6,714,000	4,872,939

***** Generic item

PREPARED SOLELY FOR INCOME TAX PURPOSES WITHOUT AUDIT OR REVIEW FROM INFORMATION PROVIDED BY THE TAXPAYER.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 125

Form identifier 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

Income statement information

Description	GIFI	
Operating name	0001	
Description of the operation	0002	
Sequence number	0003	01

Account	Description	GIFI		Current year	Prior year
	Income statement information				
	Total sales of goods and services	8089	+	11,949,014	11,384,065
	Cost of sales	8518	–		
	Gross profit/loss	8519	=	11,949,014	11,384,065
	Cost of sales	8518	+		
	Total operating expenses	9367	+	8,978,567	9,209,765
	Total expenses (mandatory field)	9368	=	8,978,567	9,209,765
	Total revenue (mandatory field)	8299	+	12,482,471	11,948,330
	Total expenses (mandatory field)	9368	–	8,978,567	9,209,765
	Net non-farming income	9369	=	3,503,904	2,738,565
	Farming income statement information				
	Total farm revenue (mandatory field)	9659	+		
	Total farm expenses (mandatory field)	9898	–		
	Net farm income	9899	=		
	Net income/loss before taxes and extraordinary items	9970	=	3,503,904	2,738,565
	Total other comprehensive income	9998	=		
	Extraordinary items and income (linked to Schedule 140)				
	Extraordinary item(s)	9975	–		
	Legal settlements	9976	–		
	Unrealized gains/losses	9980	+		
	Unusual items	9985	–		
	Current income taxes	9990	–	438,000	630,000
	Future (deferred) income tax provision	9995	–		
	Total – Other comprehensive income	9998	+		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999	=	3,065,904	2,108,565

PREPARED SOLELY FOR INCOME TAX PURPOSES WITHOUT AUDIT OR REVIEW FROM INFORMATION PROVIDED BY THE TAXPAYER.

Canada Revenue Agency / Agence du revenu du Canada

Schedule 141

Notes checklist

Corporation's name	Business number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the **accountant**) who prepared or reported on the financial statements. If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation – Income Tax Guide*.
- Complete this schedule and include it with your T2 return along with the other GIFI schedules.

Part 1 – Information on the accountant who prepared or reported on the financial statements

Does the accountant have a professional designation? . . . **095** 1 Yes [X] 2 No [ ]

Is the accountant connected* with the corporation? . . . **097** 1 Yes [ ] 2 No [X]

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note

If the accountant does not have a professional designation **or** is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you **do have** to complete Part 4, as applicable.

Part 2 – Type of involvement with the financial statements

Choose the option that represents the highest level of involvement of the accountant: . . . **198**

Completed an auditor's report . . . 1 [X]

Completed a review engagement report . . . 2 [ ]

Conducted a compilation engagement . . . 3 [ ]

Part 3 – Reservations

If you selected option **1** or **2** under **Type of involvement with the financial statements** above, answer the following question:

Has the accountant expressed a reservation? . . . **099** 1 Yes [ ] 2 No [X]

Part 4 – Other information

If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options: . . . **110**

Prepared the tax return (financial statements prepared by client) . . . 1 [ ]

Prepared the tax return and the financial information contained therein (financial statements have not been prepared) . . . 2 [ ]

Were notes to the financial statements prepared? . . . **101** 1 Yes [X] 2 No [ ]

If **yes**, complete lines 104 to 107 below:

Are subsequent events mentioned in the notes? . . . **104** 1 Yes [ ] 2 No [X]

Is re-evaluation of asset information mentioned in the notes? . . . **105** 1 Yes [ ] 2 No [X]

Is contingent liability information mentioned in the notes? . . . **106** 1 Yes [X] 2 No [ ]

Is information regarding commitments mentioned in the notes? . . . **107** 1 Yes [ ] 2 No [X]

Does the corporation have investments in joint venture(s) or partnership(s)? . . . **108** 1 Yes [ ] 2 No [X]

Part 4 – Other information (continued)

Impairment and fair value changes

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year? . . . . . 200 1 Yes [ ] 2 No [X]

If **yes**, enter the amount recognized:

		In net income Increase (decrease)		**In OCI** Increase (decrease)
Property, plant, and equipment	210		211	
Intangible assets	215		216	
Investment property	220			
Biological assets	225			
Financial instruments	230		231	
Other	235		236	

Financial instruments

Did the corporation derecognize any financial instrument(s) during the tax year (other than trade receivables)? . . . . . 250 1 Yes [ ] 2 No [X]

Did the corporation apply hedge accounting during the tax year? . . . . . 255 1 Yes [ ] 2 No [X]

Did the corporation discontinue hedge accounting during the tax year? . . . . . 260 1 Yes [ ] 2 No [X]

Adjustments to opening equity

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year? . . . . . 265 1 Yes [ ] 2 No [X]

If **yes**, you have to maintain a separate reconciliation.

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Net Income (Loss) for Income Tax Purposes

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125				3,065,904	A
Add:					
Provision for income taxes – current		101	438,000		
Amortization of tangible assets		104	2,129,199		
Charitable donations and gifts from Schedule 2		112	50,150		
Non-deductible meals and entertainment expenses		121	4,976		
Reserves from financial statements – balance at the end of the year		126	1,397,008		
Subtotal of additions			4,019,333 ▶	4,019,333	
Other additions:					
Miscellaneous other additions:					
600 Non-deductible expenses		290	696,846		
601 ICM revenue recived in year		291	380,411		
603					
Inducement - ITA 12(1)(x)	12,929				
Total	12,929	293	12,929		
604					
Total		294			
Subtotal of other additions		199	1,090,186 ▶	1,090,186	
Total additions		500	5,109,519 ▶	5,109,519	B
Amount A **plus** amount B				8,175,423	
Deduct:					
Capital cost allowance from Schedule 8		403	3,578,194		
Cumulative eligible capital deduction from Schedule 10		405	71,165		
Reserves from financial statements – balance at the beginning of the year		414	1,458,962		
Subtotal of deductions			5,108,321 ▶	5,108,321	
Other deductions:					
Miscellaneous other deductions:					
700 Unrealized gain on swap		390	711,811		
701 Non-taxable reg asset items		391	484,634		
702 ATTC booked to accounting income		392	12,000		
704					
Total		394			
Subtotal of other deductions		499	1,208,445 ▶	1,208,445	
Total deductions		510	6,316,766 ▶	6,316,766	
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				1,858,657	

Attached Schedule with Total

Line 391 – Amount for line 701

Title Line 391 – Amount for line 701

Description	Amount	
Non taxable construction WIP credit	375,885	00
Operating expense in VR account	104,816	00
Net non taxable interest	3,933	00
Total	484,634	00

Inducement

This form is used to calculate inducements that a corporation must add to its income under paragraph 12(1)(x) of the ITA. If an amount reduces the capital cost of a property, this amount will be indicated in Part "Tax credits whose amount should reduce the capital cost of property."

If you want to transfer an amount to Schedule 1 and include it in the corporation's income for tax purposes, select the corresponding check box in column A. You can also select the option **Select this check box to add all the amounts to income calculated in Schedule 1** to transfer all the amounts to Schedule 1. In either case, the column A check box will be selected for that amount and it will therefore be updated to Schedule 1.

Tax credits whose amount should be added to income

Select this check box to add all the amounts to income calculated in Schedule 1. . . . . [ ]

Federal

A		
X	Investment tax credit from apprenticeship job creation expenditures	2,000
X	Investment tax credit from child care spaces expenditures	
	Canadian film or video production tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Film or video production services tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Investment tax credit claimed on contributions made to SR&ED farming organizations	

Ontario

A		
X	Portion of the Ontario research and development tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
	Ontario co-operative education tax credit	
X	Ontario apprenticeship training tax credit	10,929
	Ontario computer animation and special effects tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario film and television tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario production services tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario interactive digital media tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario sound recording tax credit*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario book publishing tax credit	
X	Portion of the Ontario innovation tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
	Ontario business-research institute tax credit	
	Ontario public transit expense tax credit	
	Ontario tax credit for the purchase of vehicles that use natural gas as a fuel*	
	* Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	

Tax credits whose amount should reduce the capital cost of property

Canada Revenue Agency / Agence du revenu du Canada

Schedule 2

Charitable Donations and Gifts

Corporation's name	Business number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- For use by corporations to claim any of the following:
  - charitable donations to qualified donees;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a transfer of unused amounts from previous years following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the federal *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- The eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- A gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation - Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Various	50,150
Subtotal	50,150
Add: Total donations of less than $100 each	
Total donations in current tax year	50,150

	Line	Federal		Québec	Alberta
Charitable donations at the end of the previous tax year			A		
Deduct: Charitable donations expired after five tax years*	239				
Charitable donations at the beginning of the tax year	240		B		
Add:					
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250				
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	50,150		50,150	50,150
Subtotal (line 250 **plus** line 210)		50,150	C	50,150	50,150
Subtotal (amount B **plus** amount C)		50,150	D	50,150	50,150
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255				
Total charitable donations available (amount D **minus** amount on line 255)		50,150	E	50,150	50,150
Deduct: Amount applied against taxable income (cannot be more than amount O in Part 2) (enter this amount on line 311 of the T2 return)	260	50,150		50,150	50,150
Charitable donations closing balance (amount E **minus** amount on line 260)	280				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Charitable donations

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
7th prior year	2006-12-31			
8th prior year	2005-12-31			
9th prior year	2004-12-31			
10th prior year	2003-12-31			
11th prior year	2002-12-31			
12th prior year	2001-12-31			
13th prior year	2000-12-31			
14th prior year	1999-12-31			
15th prior year	1998-12-31			
16th prior year	1997-12-31			
17th prior year	1996-12-31			
18th prior year	1995-12-31			
19th prior year	1994-12-31			
20th prior year	1993-12-31			
21st prior year*	1992-12-31			
Total (to line A)				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * **multiplied** by 75 %			1,393,993	F
Taxable capital gains arising in respect of gifts of capital property included in Part 1 **	225		G	
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	227		H	
The amount of the recapture of capital cost allowance in respect of charitable gifts	230			
Proceeds of disposition, less outlays and expenses **		I		
Capital cost **		J		
Amount I or J, whichever is less	235			
Amount on line 230 or 235, whichever is less			K	
Subtotal (**add** amounts G, H, and K)			L	
Amount L **multiplied** by 25 %				M
Subtotal (amount F **plus** amount M)			1,393,993	N
Maximum allowable deduction for charitable donations (enter amount E from Part 1, amount N, or net income for tax purposes, whichever is less)			50,150	O

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

Part 3 – Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the previous tax year				A
Deduct: Gifts to Canada, a province, or a territory expired after five tax years		339		
Gifts to Canada, a province, or a territory at the beginning of the tax year		340		B
Add:				
Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350			
Total current-year gifts made to Canada, a province, or a territory *	310			
Subtotal (line 350 **plus** line 310)		▶		C
Subtotal (amount B **plus** amount C)				D
Deduct:				
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355			
Amount applied against taxable income (enter this amount on line 312 of the T2 return)	360			
Subtotal (line 355 **plus** line 360)		▶		E
Gifts to Canada, a province, or a territory closing balance (amount D **minus** amount E)		380		

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

		Federal		Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year			F		
Deduct: Gifts of certified cultural property expired after five tax years*	439				
Gifts of certified cultural property at the beginning of the tax year	440		G		
Add:					
Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450				
Total current-year gifts of certified cultural property	410				
Subtotal (line 450 **plus** line 410)			H		
Subtotal (amount G **plus** amount H)			I		
Deduct:					
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455				
Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460				
Subtotal (line 455 **plus** line 460)			J		
Gifts of certified cultural property closing balance (amount I **minus** amount J)	480				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
7th prior year	2006-12-31			
8th prior year	2005-12-31			
9th prior year	2004-12-31			
10th prior year	2003-12-31			
11th prior year	2002-12-31			
12th prior year	2001-12-31			
13th prior year	2000-12-31			
14th prior year	1999-12-31			
15th prior year	1998-12-31			
16th prior year	1997-12-31			
17th prior year	1996-12-31			
18th prior year	1995-12-31			
19th prior year	1994-12-31			
20th prior year	1993-12-31			
21st prior year*	1992-12-31			
Total				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 5 – Gifts of certified ecologically sensitive land

	Line	Federal		Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year			K		
Deduct: Gifts of certified ecologically sensitive land expired after five tax years	539				
Gifts of certified ecologically sensitive land at the beginning of the tax year	540		L		
Add:					
Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550				
Total current-year gifts of certified ecologically sensitive land	510				
Subtotal (line 550 **plus** line 510)			M		
Subtotal (amount L **plus** amount M)			N		
Deduct:					
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555				
Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560				
Subtotal (line 555 **plus** line 560)			O		
Gifts of certified ecologically sensitive land closing balance (amount N **minus** amount O)	580				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
7th prior year	2006-12-31			
8th prior year	2005-12-31			
9th prior year	2004-12-31			
10th prior year	2003-12-31			
11th prior year	2002-12-31			
12th prior year	2001-12-31			
13th prior year	2000-12-31			
14th prior year	1999-12-31			
15th prior year	1998-12-31			
16th prior year	1997-12-31			
17th prior year	1996-12-31			
18th prior year	1995-12-31			
19th prior year	1994-12-31			
20th prior year	1993-12-31			
21st prior year*	1992-12-31			
Total				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 6 – Additional deduction for gifts of medicine

	Line	Federal		Québec		Alberta	
Additional deduction for gifts of medicine at the end of the previous tax year			P				
Deduct: Additional deduction for gifts of medicine expired after five tax years	639						
Additional deduction for gifts of medicine at the beginning of the tax year	640		Q				
Add:							
Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650						
Additional deduction for gifts of medicine for the current year:							
Proceeds of disposition	602		1		1		1
Cost of gifts of medicine	601		2		2		2
Subtotal (line 1 **minus** line 2)			3		3		3
Line 3 **multiplied** by 50 %			4		4		4
Eligible amount of gifts	600		5		5		5

Federal

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year **610** ______

Québec

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year ______

Alberta

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year ______

where:

a is the **lesser** of line 2 and line 4

b is the eligible amount of gifts (line 600)

c is the proceeds of disposition (line 602)

	Line	Federal		Québec	Alberta
Subtotal (line 650 **plus** line 610)			R		
Subtotal (amount Q **plus** amount R)			S		
Deduct:					
Adjustment for an acquisition of control	655				
Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660				
Subtotal (line 655 **plus** line 660)			T		
Additional deduction for gifts of medicine closing balance (amount S **minus** amount T)	680				

Amounts carried forward – Additional deduction for gifts of medicine

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
Total				

***** These donations expired in the current year.

Québec – Gifts of musical instruments

Gifts of musical instruments at the end of the previous tax year		A
Deduct: Gifts of musical instruments expired after twenty tax years		B
Gifts of musical instruments at the beginning of the tax year		C
Add:		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary		D
Total current-year gifts of musical instruments		E
Subtotal (line D **plus** line E)		F
Deduct: Adjustment for an acquisition of control		G
Total gifts of musical instruments available		H
Deduct: Amount applied against taxable income		I
Gifts of musical instruments closing balance		J

Amounts carried forward – Gifts of musical instruments

Year of origin:		Québec
1st prior year	2012-12-31	
2nd prior year	2011-12-31	
3rd prior year	2010-12-31	
4th prior year	2009-12-31	
5th prior year	2008-12-31	
6th prior year*	2007-12-31	
7th prior year	2006-12-31	
8th prior year	2005-12-31	
9th prior year	2004-12-31	
10th prior year	2003-12-31	
11th prior year	2002-12-31	
12th prior year	2001-12-31	
13th prior year	2000-12-31	
14th prior year	1999-12-31	
15th prior year	1998-12-31	
16th prior year	1997-12-31	
17th prior year	1996-12-31	
18th prior year	1995-12-31	
19th prior year	1994-12-31	
20th prior year	1993-12-31	
21st prior year*	1992-12-31	
Total		

* These gifts expired in the current year.

Canada Revenue Agency / Agence du revenu du Canada

DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act.*
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- Column A – Enter "X" if dividends received from a foreign source (connected corporation only).
- Column F1 – Enter the amount of dividends received reported in column 240 that are eligible.
- Column F2 – Enter the code that applies to the deductible taxable dividend.
- Column F3 – Enter if dividends have been received or not after December 20, 2012. This information is required for corporations that must complete Schedules 71 and 72. For more details with regards to this column, consult the Help.

Part 1 – Dividends received in the tax year

Do not include dividends received from foreign non-affiliates.

Name of payer corporation (from which the corporation received the dividend)	A	B Enter 1 if payer corporation is connected	C Business Number of connected corporation	D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD (See note)	E Non-taxable dividend under section 83
		Complete if payer corporation is connected			
200		205	210	220	230

Total (enter on line 402 of Schedule 1)

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.
For more details, consult the Help.

F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)*	F1 Eligible dividends (included in column F)	F2	F3	G Total taxable dividends paid by connected payer corporation (for tax year in column D)	H Dividend refund of the connected payer corporation (for tax year in column D)**	I Part IV tax before deductions F x 1 / 3 ***
				Complete if payer corporation is connected		
240				250	260	270
						J

Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)

* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter “0” in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

** If the connected payer corporation’s tax year ends after the corporation’s balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer’s dividend refund when you calculate the corporation’s Part IV tax payable.

*** For dividends received from connected corporations: Part IV tax = $\frac{\text{Column F x Column H}}{\text{Column G}}$

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)			
Deduct:			
Part IV.I tax payable on dividends subject to Part IV tax		320	
		Subtotal	
Deduct:			
Current-year non-capital loss claimed to reduce Part IV tax	330		
Non-capital losses from previous years claimed to reduce Part IV tax	335		
Current-year farm loss claimed to reduce Part IV tax	340		
Farm losses from previous years claimed to reduce Part IV tax	345		
Total losses applied against Part IV tax		x 1 / 3 =	
Part IV tax payable (enter amount on line 712 of the T2 return)		360	

Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund

	A	B	C	D	D1
	Name of connected recipient corporation	Business Number	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD (See note)	Taxable dividends paid to connected corporations	Eligible dividends (included in column D)
	400	410	420	430	
1	City of Stratford	NR	2013-12-31	1,224,843	

Note

If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation. For more details, consult the Help.

Total 1,224,843

Total taxable dividends paid in the tax year to other than connected corporations		450	
Eligible dividends (included in line 450)	450a		
Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above **plus** line 450)		460	1,224,843

Part 4 – Total dividends paid in the tax year

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above)			1,224,843
Other dividends paid in the tax year (total of 510 to 540)			
Total dividends paid in the tax year		500	1,224,843
Deduct:			
Dividends paid out of capital dividend account	510		
Capital gains dividends	520		
Dividends paid on shares described in subsection 129(1.2)	530		
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	540		
Subtotal		►	
Total taxable dividends paid in the tax year that qualify for a dividend refund			1,224,843

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Canada

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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes [ ] 2 No [X]

	1 Class number (See Note) 200	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year) 201	3 Cost of acquisitions during the year (new property must be available for use)* 203	4 Net adjustments** 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)*** 211	7 Reduced undepreciated capital cost	8 CCA rate % **** 212	9 Recapture of capital cost allowance (line 107 of Schedule 1) 213	10 Terminal loss (line 404 of Schedule 1) 215	11 Capital cost allowance (for declining balance method, column 7 **multiplied** by column 8, or a lower amount) (line 403 of Schedule 1) ***** 217	12 Undepreciated capital cost at the end of the year (column 6 **plus** column 7 **minus** column 11) 220
1.	1		19,680,816			0		19,680,816	4	0	0	787,233	18,893,583
2.	1b			5,867,563		0	2,933,782	2,933,781	6	0	0	176,027	5,691,536
3.	2		2,992,799			0		2,992,799	6	0	0	179,568	2,813,231
4.	6			99,544		0	49,772	49,772	10	0	0	4,977	94,567
5.	8		1,865,411	701,726		0	350,863	2,216,274	20	0	0	443,255	2,123,882
6.	10		787,820	76,798		0	38,399	826,219	30	0	0	247,866	616,752
7.	12		24,355	92,110		0	46,055	70,410	100	0	0	70,410	46,055
8.	14	CCRA contract - 25 year		436,468		0		436,468	NA	0	0	11,767	424,701
9.	14	CCRA contract- 15 year		480,000		0		480,000	NA	0	0	15,781	464,219
10.	17			126,099		0	63,050	63,049	8	0	0	5,044	121,055
11.	43.2		102,080			0		102,080	50	0	0	51,040	51,040
12.	45		1,428			0		1,428	45	0	0	643	785
13.	46	Server, Router		9,637		0	4,819	4,818	30	0	0	1,445	8,192
14.	47		13,895,868	9,858,999		0	4,929,500	18,825,367	8	0	0	1,506,029	22,248,838
15.	50		39,639	201,119		0	100,560	140,198	55	0	0	77,109	163,649
16.	95	Smart Meters - Not in Use	256,541	280,676		256,541		280,676	0	0	0		280,676
17.	95	Transformer Station Equipmmen	8,113,559			8,113,559			0	0	0		
18.	95	Transformers - Not available for	1,426,150	1,193,404		1,426,150		1,193,404	0	0	0		1,193,404
		Totals	49,186,466	19,424,143		9,796,250	8,516,800	50,297,559				3,578,194	55,236,165

Note: Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) **plus** or **minus** certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** Enter a rate only, if you are using the declining balance method. For any other method (for example the straignt-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

***** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	Name	Country of residence (other than Canada)	Business number (see note 1)	Relationship code (see note 2)	Number of common shares you own	% of common shares you own	Number of preferred shares you own	% of preferred shares you own	Book value of capital stock
	100	200	300	400	500	550	600	650	700
1.	Festival Hydro Services Inc.	CA	86295 3726 RC0001	3					249,235

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.
Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

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Canada

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

		Line	Amount		Amount	
Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")		200			94,116	A
Add: Cost of eligible capital property acquired during the taxation year		222	1,230,026			
Other adjustments		226				
Subtotal (line 222 plus line 226)	1,230,026 x 3 / 4 =		922,520	B		
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	x 1 / 2 =	228		C		
amount B minus amount C (if negative, enter "0")			922,520	►	922,520	D
Amount transferred on amalgamation or wind-up of subsidiary		224				E
Subtotal (add amounts A, D, and E)		230			1,016,636	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year		242		G		
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)		244		H		
Other adjustments		246		I		
(add amounts G,H, and I)	x 3 / 4 =	248				J
Cumulative eligible capital balance (amount F minus amount J)					1,016,636	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)						
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business		249				
amount K	1,016,636					
less amount from line 249						
Current year deduction	1,016,636 x 7.00 % =	250	71,165 *			
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)			71,165	►	71,165	L
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")		300			945,471	M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

Part 2 – Amount to be included in income arising from disposition

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)							N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988			400		1		
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)			401		2		
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402		3				
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408		4				
Line 3 minus line 4 (if negative, enter "0")			▶		5		
Total of lines 1, 2 and 5					6		
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400			7				
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000			8				
Subtotal (line 7 plus line 8)	409		▶		9		
Line 6 minus line 9 (if negative, enter "0")					▶		O
Line N minus line O (if negative, enter "0")							P
Line 5					x 1 / 2 =		Q
Line P minus line Q (if negative, enter "0")							R
Amount R					x 2 / 3 =		S
Amount N or amount O, whichever is less							T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)					410		

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1	Post employment benefits	1,458,962			61,954	1,397,008
2						
	Reserves from Part 2 of Schedule 13					
	Totals	1,458,962			61,954	1,397,008

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

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SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

1 – Associated for purposes of allocating the business limit (unless code 5 applies)
2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
4 – Associated non-CCPC
5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum $300,000
2007	$300,001 to $400,000

Calendar year	Acceptable range
2008	maximum $400,000
2009	$400,001 to $500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed $500,000.

Allocating the business limit

Date filed (do not use this area) . . . . . **025** Year Month Day

Enter the calendar year to which the agreement applies . . . . . **050** Year 2013

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? . . . . . **075** 1 Yes [ ] 2 No [X]

	1 Names of associated corporations **100**	2 Business Number of associated corporations **200**	3 Association code **300**	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % **350**	6 Business limit allocated* $ **400**
1	Festival Hydro Inc.	89957 1814 RC0001	1	500,000	100.0000	500,000
2	Festival Hydro Services Inc.	86295 3726 RC0001	1	500,000		
				Total	100.0000	500,000 **A**

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to 0.225% x (A - $10,000,000) where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2009, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if $500,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

** The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

*** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.

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Schedule 31

Investment Tax Credit – Corporations

General information

- Use this schedule:
  - to calculate an investment tax credit (ITC) earned during the tax year;
  - to claim a deduction against Part I tax payable;
  - to claim a refund of credit earned during the current tax year;
  - to claim a carryforward of credit from previous tax years;
  - to transfer a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - to request a credit carryback to one or more previous years; or
  - if you are subject to a recapture of ITC.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- Investments or expenditures, described in subsection 127(9) of the Act and Part XLVI of the Regulations, that earn an ITC are:
  - qualified property and qualified resource property (Parts 4 to 7 of this schedule);
  - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). File Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim;*
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
- Include a completed copy of this schedule with the *T2 Corporation Income Tax Return*. If you need more space, attach additional schedules.
- For more information on ITCs, see "Investment Tax Credit" in Guide T4012, *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release*.*
- For more information on SR&ED, see Brochure RC4472, *Overview of the Scientific Research and Experimental Development Program (SR&ED) Tax Incentive Program*; Brochure RC4467, *Support for your R&D in Canada*, and T4088, *Guide to Form T661 – Scientific Research and Experimental Development (SR&ED) Expenditures Claim*. Also see the *Eligibility of Work for SR&ED Investment Tax Credits Policy* at **www.cra.gc.ca/txcrdt/sred-rsde/clmng/lgbltywrkfrsrdnvstmnttxcrdts-eng.html**.

Detailed information

- For the purpose of this schedule, **investment** means the capital cost of the property (excluding amounts added by an election under section 21 of the Act), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be **available for use** before a claim for an ITC can be made. See subsections 127(11.2) and 248(19) for more information.
- Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which it incurred the expenditures or capital costs.
- Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068, *Guide for the Partnership Information Return*.
- For SR&ED expenditures, the expression **in Canada** includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone.
- For the purpose of this schedule, the expression **Atlantic Canada** includes the Gaspé Peninsula and the provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick, as well as their respective offshore regions (prescribed in Regulation 4609).
- For the purpose of this schedule, **qualified property** means property in Atlantic Canada that is used primarily for manufacturing and processing, farming or fishing, logging, storing grain, or harvesting peat. Property in Atlantic Canada that is used primarily for oil and gas, and mining activities is considered qualified property only if acquired by the taxpayer **before** March 29, 2012. Qualified property includes new buildings and new machinery and equipment (prescribed in Regulation 4600), and if acquired by the taxpayer **after** March 28, 2012, new energy generation and conservation property (prescribed in Regulation 4600). Qualified property can also be used primarily to produce or process electrical energy or steam in a prescribed area (as described in Regulation 4610). See the definition of **qualified property** in subsection 127(9) of the Act for more information.
- For the purpose of this schedule, **qualified resource property** means property in Atlantic Canada that is used primarily for oil and gas, and mining activities, if acquired by the taxpayer **after** March 28, 2012, and **before** January 1, 2016. Qualified resource property includes new buildings and new machinery and equipment (prescribed in Regulation 4600). See the definition of **qualified resource property** in subsection 127(9) of the Act for more information.

Detailed information (continued)

- For the purpose of this schedule, **pre-production mining exploration expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to determine the existence, location, extent, or quality of certain mineral resources in Canada, excluding expenses incurred in the exploration of an oil or gas well. See subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.
- For the purpose of this schedule, **pre-production mining development expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to bring a new mineral resource mine in Canada into production, excluding expenses in the development of a bituminous sands deposit or an oil shale deposit. See subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.

Part 1 – Investments, expenditures, and percentages

Investments	**Specified percentage**
Qualified property acquired primarily for use in Atlantic Canada	10 %
Qualified resource property acquired primarily for use in Atlantic Canada and acquired:	
– after March 28, 2012, and before 2014	10 %
– after 2013 and before 2016	5 %
– after 2015*	0 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate**.	
If you are a corporation that is not a CCPC and have incurred qualified expenditures for SR&ED in any area in Canada:	
– before 2014**	20 %
– after 2013**	15 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures before March 29, 2012	10 %
If you are a taxable Canadian corporation that incurred pre-production mining exploration expenditures***:	
– after March 28, 2012, and before 2013	10 %
– in 2013	5 %
– after 2013***	0 %
If you are a taxable Canadian corporation that incurred pre-production mining development expenditures****:	
– after March 28, 2012, and before 2014****	10 %
– in 2014	7 %
– in 2015	4 %
– after 2015****	0 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

* A transitional relief rate of 10% may apply to property acquired after 2013 and before 2017, if the property is acquired under a written agreement entered into before March 29, 2012, or the property is acquired as part of a **phase** of a project where the construction or the engineering and design work for the construction started before March 29, 2012. See paragraph (a.1) of the definition of **specified percentage** in subsection 127(9) for more information.

** The reduction of the rate from 20% to 15% applies to 2014 and later tax years, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

*** Pre-production mining exploration expenditures are described in subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9).

**** A transitional relief rate of 10% may apply to expenditures incurred after 2013 and before 2016, if the expenditure is incurred under a written agreement entered into before March 29, 2012, or the expenditure is incurred as part of the development of a new mine where the construction or the engineering and design work for the construction of the new mine started before March 29, 2012. See subparagraph (k)(ii) of the definition of **specified percentage** in subsection 127(9) for more information. Pre-production mining development expenditures are described in subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9).

Corporation's name	Business number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . 101 1 Yes [ ] 2 No [X]

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC and its taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

Note: A CCPC calculating a refundable ITC is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

Some CCPCs that are **not qualifying** corporations may also earn a **100%** refund on their share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;

b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or

c) any combination of persons referred to in a) or b) above.

* Capital expenditures incurred after December 31, 2013, including lease payments for property that would have been a capital expenditure if purchased directly, are **not** qualified SR&ED expenditures and are **not** eligible for an ITC on SR&ED expenditures.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions.

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? . . . . 102 1 Yes [ ] 2 No [X]

Contributions to agricultural organizations for SR&ED* . . . . 103 ________

If **yes**, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see Guide RC4088, *General Index of Financial Information (GIFI)*. Enter contributions on line 350 of Part 8.

* Enter only contributions not already included on Form T661. Include all of the contributions made before 2013 and 80% of the contributions made after 2012.

Qualified Property and Qualified Resource Property

Part 4 – Eligible investments for qualified property and qualified resource property from the current tax year

CCA* class number 105	Description of investment 110	Date available for use 115	Location used (province or territory) 120	Amount of investment 125
			Total of investments for qualified property and qualified resource property	A

* CCA: capital cost allowance

Part 5 – Current-year credit and account balances – ITC from investments in qualified property and qualified resource property

ITC at the end of the previous tax year . . . . B

Deduct:

Credit deemed as a remittance of co-op corporations **210**

Credit expired **215**

Subtotal (line 210 **plus** line 215) ► C

ITC at the beginning of the tax year (amount B **minus** amount C) **220**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **230**

ITC from repayment of assistance **235**

Qualified property; and qualified resource property acquired after March 28, 2012, and before January 1, 2014* (applicable part of amount A from Part 4) . . . . . . x 10 % = **240**

Qualified resource property acquired after December 31, 2013, and before January 1, 2016 (applicable part of amount A from Part 4) . . . . x 5 % = **242**

Credit allocated from a partnership **250**

Subtotal (total of lines 230 to 250) ► D

Total credit available (line 220 **plus** amount D) . . . . E

Deduct:

Credit deducted from Part I tax (enter at amount D in Part 30) **260**

Credit carried back to the previous year(s) (amount H from Part 6) . . . . . . a

Credit transferred to offset Part VII tax liability **280**

Subtotal (total of line 260, amount a, and line 280) ► F

Credit balance before refund (amount E **minus** amount F) . . . . G

Deduct:

Refund of credit claimed on investments from qualified property and qualified resource property (from Part 7) **310**

ITC closing balance of investments from qualified property and qualified resource property (amount G **minus** line 310) **320**

* Include investments acquired after 2013 and before 2017 that are eligible for transitional relief.

Part 6 – Request for carryback of credit from investments in qualified property and qualified resource property

	Year	Month	Day			
1st previous tax year				Credit to be applied	**901**	
2nd previous tax year				Credit to be applied	**902**	
3rd previous tax year				Credit to be applied	**903**	

Total (enter at amount a in Part 5) H

Part 7 – Refund of ITC for qualifying corporations on investments from qualified property and qualified resource property

Current-year ITCs (total of lines 240, 242, and 250 from Part 5) I

Credit balance before refund (amount G from Part 5) . . . . J

Refund (40 % of amount I or J, whichever is less) . . . . K

Enter amount K or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

SR&ED

Part 8 – Qualified SR&ED expenditures

Current expenditures

Current expenditures (from line 557 on Form T661)			
Add:			
Contributions to agricultural organizations for SR&ED*			
Current expenditures (line 557 on Form T661 **plus** line 103 from Part 3)*		► 350	
Capital expenditures incurred **before** 2014 (from line 558 on Form T661)**		360	
Repayments made in the year (from line 560 on Form T661)		370	
Qualified SR&ED expenditures (total of lines 350 to 370)		380	

* If you are claiming only contributions made to agricultural organizations for SR&ED, line 350 should equal line 103 in Part 3. Do not file Form T661.

** Capital expenditures incurred after December 31, 2013, are not qualified SR&ED expenditures.

Part 9 – Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC.

Note: A CCPC that calculates an SR&ED expenditure limit is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? . . . . **385** 1 Yes [ ] 2 No [X]

Complete lines 390 and 398 if you answered **no** to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied)		390	2,723,776
Enter your taxable capital employed in Canada for the previous tax year minus $10 million. If this amount is nil or negative, enter "0". If this amount is over $40 million, enter $40 million	47,310,084	398	37,310,084

* If either of the tax years referred to at line 390 is less than 51 weeks, **multiply** the taxable income by the following result: 365 **divided** by the number of days in these tax years.

Part 10 – SR&ED expenditure limit for a CCPC

For a stand-alone corporation:			$ 8,000,000	
Deduct:				
Taxable income for the previous tax year (line 390 from Part 9) or $500,000, whichever is more	2,723,776 x 10 =		27,237,760	A
Excess ($8,000,000 **minus** amount A; if negative, enter "0")				B
$ 40,000,000 **minus** line 398 from Part 9	2,689,916	a		
Amount a **divided** by $ 40,000,000			0.06725	C
Expenditure limit for the stand-alone corporation (amount B **multiplied** by amount C)				D*
For an associated corporation:				
If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49		400		E*

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Amount D or E ______ x $\frac{\text{Number of days in the tax year}}{365}$ 365 = ... ______ F

Your SR&ED expenditure limit for the year (enter the amount from line D, E, or F, whichever applies) . . . . **410** ______

* Amount D or E cannot be more than $3,000,000.

Part 11 – Investment tax credits on SR&ED expenditures

Current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10), whichever is less* . . . . **420** ______ x 35 % = ______ G

Line 350 **minus** line 410 (if negative, enter "0")** . . . . **430** ______ x 20 % = ______ H

Line 410 **minus** line 350 (if negative, enter "0") . . . . ______ b

Capital expenditures (line 360 from Part 8) or amount b above, whichever is less* . . . . **440** ______ x 35 % = ______ I

Line 360 **minus** amount b above (if negative, enter "0")** . . . . **450** ______ x 20 % = ______ J

Repayments (amount from line 370 in Part 8) . . . . ______

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.**

460 ______ x 35 % = ______ c

480 ______ x 20 % = ______ d

Subtotal (amount c **plus** amount d) ______ ▶ ______ K

Current-year SR&ED ITC (total of amounts G to K; enter on line 540 in Part 12) . . . . ______ L

* For corporations that are not CCPCs, enter "0" for amounts G and I.

** For tax years that end after 2013, the general SR&ED rate is reduced from 20% to 15%, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

Part 12 – Current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the previous tax year . . . . ______ M

Deduct:

Credit deemed as a remittance of co-op corporations . . . . **510** ______

Credit expired . . . . **515** ______

Subtotal (line 510 **plus** line 515) ______ ▶ ______ N

ITC at the beginning of the tax year (amount M **minus** amount N) . . . . **520** ______

Add:

Credit transferred on amalgamation or wind-up of subsidiary . . . . **530** ______

Total current-year credit (from amount L in Part 11) . . . . **540** ______

Credit allocated from a partnership . . . . **550** ______

Subtotal (total of lines 530 to 550) ______ ▶ ______ O

Total credit available (line 520 **plus** amount O) . . . . ______ P

Deduct:

Credit deducted from Part I tax (enter at amount E in Part 30) . . . . **560** ______

Credit carried back to the previous year(s) (amount S from Part 13) . . . . ______ e

Credit transferred to offset Part VII tax liability . . . . **580** ______

Subtotal (total of line 560, amount e, and line 580) ______ ▶ ______ Q

Credit balance before refund (amount P **minus** amount Q) . . . . ______ R

Deduct:

Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies) . . . . **610** ______

ITC closing balance on SR&ED (amount R **minus** line 610) . . . . **620** ______

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day				
1st previous tax year				Credit to be applied	911		
2nd previous tax year				Credit to be applied	912		
3rd previous tax year				Credit to be applied	913		
				Total (enter at amount e in Part 12)			S

Part 14 – Refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 in Part 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . . . 650 1 Yes [ ] 2 No [X]

Current-year ITC (lines 540 **plus** 550 from Part 12 **minus** amount K from Part 11) . . . . . ______ f

Refundable credits (amount f above or amount R from Part 12, whichever is less)***** . . . . . ______ T

Deduct:

Amount T or amount G from Part 11, whichever is less . . . . . ______ U

Net amount (amount T **minus** amount U; if negative, enter "0") . . . . . ______ V

Amount V **multiplied** by 40 % . . . . . ______ W

Add:

Amount U . . . . . ______ X

Refund of ITC (amount W **plus** amount X – enter this, or a lesser amount, on line 610 in Part 12) . . . . . ______ Y

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC for amount Y.

Part 15 – Refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined at line 101 in Part 2.

Credit balance before refund (amount R from Part 12) . . . . . ______ Z

Deduct:

Amount Z or amount G from Part 11, whichever is less . . . . . ______ AA

Net amount (amount Z **minus** amount AA; if negative, enter "0") . . . . . ______ BB

Amount BB or amount I from Part 11, whichever is less . . . . . ______ CC

Amount CC **multiplied** by 40 % . . . . . ______ DD

Add :

Amount AA . . . . . ______ EE

Refund of ITC (amount DD **plus** amount EE) . . . . . ______ FF

Enter FF, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

Recapture – SR&ED

Part 16 – Recapture of ITC for corporations and corporate partnerships – SR&ED

You will have a recapture of ITC in a year when **all** of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note:

The recapture **does not apply** if you disposed of the property to a non-arm's-length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's-length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	Amount from column 700 or 710, whichever is less

Subtotal (enter this amount at amount C in Part 17) ______ A

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B in Part 16 on page 9.

A Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	B Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	C Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) **740**

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B below.

D Amount determined by the formula (A x B) – C	E ITC earned by the transferee for the qualified expenditures that were transferred **750**	F Amount from column D or E, whichever is less

Subtotal (enter this amount at amount D in Part 17) ______ B

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 760 below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported at amount E in Part 17) **760** ____________

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from amount A in Part 16		C
Recaptured ITC for calculation 2 from amount B in Part 16		D
Recaptured ITC for calculation 3 from line 760 in Part 16		E
Total recapture of SR&ED investment tax credit – total of amounts C to E		F

Enter amount F at amount A in Part 29.

Pre-Production Mining

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

For each of the minerals reported in column 800, identify each project (in column 805), mineral title (in column 806), and mining division (in column 807) where title is registered. If there is no mineral title, identify only the project and mining division.

List of minerals 800	Project name 805

Mineral title 806	Mining division 807

Pre-production mining expenditures*

Exploration:

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting . . . . . 810 ______

Geological, geophysical, or geochemical surveys . . . . . 811 ______

Drilling by rotary, diamond, percussion, or other methods . . . . . 812 ______

Trenching, digging test pits, and preliminary sampling . . . . . 813 ______

Development:

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping . . . . . 820 ______

Sinking a mine shaft, constructing an adit, or other underground entry . . . . . 821 ______

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826

Add amounts in column 826 ______ ► ______ A

Total pre-production mining expenditures (total of lines 810 to 821 and amount A) . . . . . 830 ______

Deduct:

Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above . . . . . 832 ______

Excess (line 830 **minus** line 832) (if negative, enter "0") . . . . . ______ B

Add:

Repayments of government and non-government assistance . . . . . 835 ______

Pre-production mining expenditures (amount B **plus** line 835) . . . . . ______ C

* A pre-production mining expenditure is defined under subsection 127(9).

Part 19 – Current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year					D
Deduct:					
Credit deemed as a remittance of co-op corporations	841				
Credit expired	845				
Subtotal (line 841 **plus** line 845)			▶		E
ITC at the beginning of the tax year (amount D **minus** amount E)			850		
Add:					
Credit transferred on amalgamation or wind-up of subsidiary			860		
Pre-production mining expenditures* incurred before January 1, 2013 (applicable part of amount C from Part 18) 870 ____ x 10 % =			a		
Pre-production mining exploration expenditures incurred in 2013 (applicable part of amount C from Part 18) 872 ____ x 5 % =			b		
Pre-production mining development expenditures incurred in 2014 (applicable part of amount C from Part 18) 874 ____ x 7 % =			c		
Pre-production mining development expenditures incurred in 2015 (applicable part of amount C from Part 18) 876 ____ x 4 % =			d		
Current year credit (total of amounts a to d)	880		▶		F
Total credit available (total of lines 850, 860, and amount F)					G
Deduct:					
Credit deducted from Part I tax (enter at amount F in Part 30)	885				
Credit carried back to the previous year(s) (amount I from Part 20)			e		
Subtotal (line 885 **plus** amount e)			▶		H
ITC closing balance from pre-production mining expenditures (amount G **minus** amount H)			890		

* Also include pre-production mining development expenditures incurred before 2014 and pre-production mining development expenditures incurred after 2013 and before 2016 that are eligible for transitional relief.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	921	
2nd previous tax year				Credit to be applied	922	
3rd previous tax year				Credit to be applied	923	
				Total (enter at amount e in Part 19)		I

Apprenticeship Job Creation

Part 21 – Total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) .... 611 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	PF6629	Powerline Technician	31,118	3,112	2,000

Total current-year credit (enter at line 640 in Part 22) 2,000 A

* Net of any other government or non-government assistance received or to be received.

Part 22 – Current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year .... B

Deduct:

Credit deemed as a remittance of co-op corporations 612

Credit expired after 20 tax years 615

Subtotal (line 612 **plus** line 615) ▶ C

ITC at the beginning of the tax year (amount B **minus** amount C) 625

Add:

Credit transferred on amalgamation or wind-up of subsidiary 630

ITC from repayment of assistance 635

Total current-year credit (amount A from Part 21) 640 2,000

Credit allocated from a partnership 655

Subtotal (total of lines 630 to 655) 2,000 ▶ 2,000 D

Total credit available (line 625 **plus** amount D) .... 2,000 E

Deduct:

Credit deducted from Part I tax (enter at amount G in Part 30) 660

Credit carried back to the previous year(s) (amount G from Part 23) .... a

Subtotal (line 660 **plus** amount a) ▶ F

ITC closing balance from apprenticeship job creation expenditures (amount E **minus** amount F) 690 2,000

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

	Year	Month	Day		
1st previous tax year				Credit to be applied 931	
2nd previous tax year				Credit to be applied 932	
3rd previous tax year				Credit to be applied 933	

Total (enter at amount a in Part 22) G

Child Care Spaces

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation cannot be carrying on a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

	CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.				

Total cost of depreciable property from the current tax year **715** ______

Add:

Specified child care start-up expenditures from the current tax year . . . . . **705** ______

Total gross eligible expenditures for child care spaces (line 715 **plus** line 705) . . . . . ______ A

Deduct:

Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line A . . . . . **725** ______

Excess (amount A **minus** line 725) (if negative, enter "0") . . . . . ______ B

Add:

Repayments by the corporation of government and non-government assistance . . . . . **735** ______

Total eligible expenditures for child care spaces (amount B **plus** line 735) . . . . . **745** ______

* CCA: capital cost allowance

Part 25 – Current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of $10,000 per child care space created in a licensed child care facility.

Eligible expenditures (from line 745) . . . . . ______ x 25 % = ______ C

Number of child care spaces . . . . . **755** ______ x $ 10,000 = ______ D

ITC from child care spaces expenditures (amount C or D, whichever is less) . . . . . ______ E

Part 26 – Current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year				F
Deduct:				
Credit deemed as a remittance of co-op corporations	765			
Credit expired after 20 tax years	770			
Subtotal (line 765 **plus** line 770)			▶	G
ITC at the beginning of the tax year (amount F **minus** amount G)			775	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	777			
Total current-year credit (amount E from Part 25)	780			
Credit allocated from a partnership	782			
Subtotal (total of lines 777 to 782)			▶	H
Total credit available (line 775 **plus** amount H)				I
Deduct:				
Credit deducted from Part I tax (enter at amount H in Part 30)	785			
Credit carried back to the previous year(s) (amount K from Part 27)			a	
Subtotal (line 785 **plus** amount a)			▶	J
ITC closing balance from child care spaces expenditures (amount I **minus** amount J)			790	

Part 27 – Request for carryback of credit from child care space expenditures

	Year Month Day			
1st previous tax year	2012-12-31	Credit to be applied	941	
2nd previous tax year	2011-12-31	Credit to be applied	942	
3rd previous tax year	2010-12-31	Credit to be applied	943	
		Total (enter at amount a in Part 26)		K

Recapture – Child Care Spaces

Part 28 – Recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) **792**

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC **795**

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property **797**

Amount from line 795 or line 797, whichever is less . . . . A

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 799 below.

Corporate partner's share of the excess of ITC **799**

Total recapture of child care spaces investment tax credit (total of line 792, amount A, and line 799) . . . . B

Enter amount B at amount B in Part 29.

Summary of Investment Tax Credits

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC (from amount F in Part 17) . . . . A

Recaptured child care spaces ITC (from amount B in Part 28) . . . . B

Total recapture of investment tax credit (amount A **plus** amount B) C

Enter amount C on line 602 of the T2 return.

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) . . . . D

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) . . . . E

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) . . . . F

ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) . . . . G

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) . . . . H

Total ITC deducted from Part I tax (total of amounts D to H) I

Enter amount I at line 652 of the T2 return.

Privacy Act, Personal Information Bank number CRA PPU 047

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
2,000				2,000

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2012-12-31				
2011-12-31				
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				*
2002-12-31				
2001-12-31				
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				
1993-12-31				*
Total				

B+C+D+G **Total ITC utilized**

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Provide only one number per shareholder: Business Number (If a corporation is not registered, enter "NR")	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares
	100	200	300	350	400	500
1	Corporation of the City of Stratford	NR			100.000	100.000
2						
3						
4						
5						
6						
7						
8						
9						
10						

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 55

PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

Do not use this area

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- All legislative references on this schedule are to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

Taxable dividends paid in the tax year **not included** in Schedule 3				
Taxable dividends paid in the tax year **included** in Schedule 3		1,224,843		
Total taxable dividends paid in the tax year	100	1,224,843		
Total eligible dividends paid in the tax year	150			A
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")	160			B
Excessive eligible dividend designation (line 150 **minus** line 160)				C
Deduct:				
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*	180			D
Subtotal (amount C **minus** amount D)				E
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (amount E **multiplied** by 20 %)	190			F

Enter the amount from line 190 on line 710 of the T2 return.

Part 2 – Other corporations

Taxable dividends paid in the tax year **not included** in Schedule 3				
Taxable dividends paid in the tax year **included** in Schedule 3				
Total taxable dividends paid in the tax year	200			
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)				G
Deduct:				
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*	280			H
Subtotal (amount G **minus** amount H)				I
Part III.1 tax on excessive eligible dividend designations – Other corporations (amount I **multiplied** by 20 %)	290			J

Enter the amount from line 290 on line 710 of the T2 return.

* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days **after** the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to **www.cra.gc.ca/eligibledividends**.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 546

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario *Business Corporations Act* (BCA) or Ontario *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the *Ontario Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit **www.ServiceOntario.ca** for more information.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

Part 1 – Identification

100 Corporation's name (exactly as shown on the MGS public record)
Festival Hydro Inc.

Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent	**110** Date of incorporation or amalgamation, whichever is the most recent (Year Month Day)	**120** Ontario Corporation No.
Ontario	2001-09-07	1484983

Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)

200 Care of (if applicable)

210 Street number	**220** Street name/Rural route/Lot and Concession number	**230** Suite number
187	Erie Street	

240 Additional address information if applicable (line 220 must be completed first)

250 Municipality (e.g., city, town)	**260** Province/state	**270** Country	**280** Postal/zip code
Stratford	ON	CA	N5A 6T5

Part 3 – Change identifier

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit **www.ServiceOntario.ca**.

300 1 If there have been no changes, enter **1** in this box and then go to "Part 4 – Certification."
If there are changes, enter **2** in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

Part 4 – Certification

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

450 Reece (Last name) **451** Debbie (First name)

454 ________, (Middle name(s))

460 2 Please enter one of the following numbers in this box for the above-named person: **1** for director, **2** for officer, or **3** for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter **1** or **2**.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Complete the applicable parts to report changes in the information recorded on the MGS public record.

Part 5 – Mailing address

500 Please enter one of the following numbers in this box:
1 - Show no mailing address on the MGS public record.
2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule.
3 - The corporation's complete mailing address is as follows:

510 Care of (if applicable)

520 Street number	**530** Street name/Rural route/Lot and Concession number	**540** Suite number

550 Additional address information if applicable (line 530 must be completed first)

560 Municipality (e.g., city, town)	**570** Province/state	**580** Country	**590** Postal/zip code

Part 6 – Language of preference

600 Indicate your language of preference by entering **1** for English or **2** for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.

Federal Tax Instalments

Federal tax instalments

For the taxation year ended 2014-12-31

Business number 89957 1814 RC0001

The following is a list of federal instalments payable for the current taxation year. The last column indicates the instalments payable to Revenue Canada. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Receiver General. Payment may be made by cheque or money order payable to the Receiver General either to an authorized financial institution or filed with **the appropriate remittance voucher to the following address**:

Canada Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1

Note that you may also be able to pay by telephone or Internet banking. For more information, consult the *Corporation Instalment Guide*.

Monthly instalment workchart

Date	Monthly tax instalments	Refund transferred to instalments	Instalments paid	Cumulative difference	Instalments payable
2014-01-31	36,022				36,022
2014-02-28	36,022				36,022
2014-03-31	36,022				36,022
2014-04-30	36,022				36,022
2014-05-31	36,022				36,022
2014-06-30	36,022				36,022
2014-07-31	36,022				36,022
2014-08-31	36,022				36,022
2014-09-30	36,022				36,022
2014-10-31	36,022				36,022
2014-11-30	36,022				36,022
2014-12-31	36,012				36,012
Totals	432,254				432,254

Canada Revenue Agency / Agence du revenu du Canada

T2 Corporation Income Tax Return

200

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see **www.cra.gc.ca** or Guide T4012, *T2 Corporation – Income Tax Guide*.

Identification

Business number (BN) **001** 89957 1814 RC0001

Corporation's name
002 Festival Hydro Inc.

Address of head office
Has this address changed since the last time we were notified? . . . . **010** 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 011 to 018.)
011 187 Erie Street
012
City: **015** Stratford
Province, territory, or state: **016** ON
Country (other than Canada): **017** CA
Postal code/Zip code: **018** N5A 2M6

Mailing address (if different from head office address)
Has this address changed since the last time we were notified? . . . . **020** 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 021 to 028.)
021 c/o
022 187 Erie Street
023
City: **025** Stratford
Province, territory, or state: **026** ON
Country (other than Canada): **027** CA
Postal code/Zip code: **028** N5A 2M6

Location of books and records
Has the location of books and records changed since the last time we were notified? . . . . **030** 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 031 to 038.)
031 187 Erie Street
032
City: **035** Stratford
Province, territory, or state: **036** ON
Country (other than Canada): **037** CA
Postal code/Zip code: **038** N5A 2M6

040 Type of corporation at the end of the tax year
1 [X] Canadian-controlled private corporation (CCPC)
2 [ ] Other private corporation
3 [ ] Public corporation
4 [ ] Corporation controlled by a public corporation
5 [ ] Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change . . . . **043** ______ YYYY MM DD

To which tax year does this return apply?
Tax year start **060** 2013-01-01 (YYYY MM DD)
Tax year-end **061** 2013-12-31 (YYYY MM DD)

Has there been an acquisition of control to which subsection 249(4) applies since the tax year start on line 060? . . . . **063** 1 Yes [ ] 2 No [X]
If **yes**, provide the date control was acquired . . . . **065** ______ YYYY MM DD

Is the date on line 061 a deemed tax year-end according to:
subparagraph 88(2)(a)(iv)? . . . . **064** 1 Yes [ ] 2 No [X]
subsection 249(3.1)? . . . . **066** 1 Yes [ ] 2 No [X]

Is the corporation a professional corporation that is a member of a partnership? . . . . **067** 1 Yes [ ] 2 No [X]

Is this the first year of filing after:
Incorporation? . . . . **070** 1 Yes [ ] 2 No [X]
Amalgamation? . . . . **071** 1 Yes [ ] 2 No [X]
If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? . . . . **072** 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? . . . . **076** 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? . . . . **078** 1 Yes [ ] 2 No [X]

If an election was made under section 261, state the functional currency used . . . . **079** ______

Is the corporation a resident of Canada?
080 1 Yes [X] 2 No [ ] If **no**, give the country of residence on line 081 and complete and attach Schedule 97.
081 ______

Is the non-resident corporation claiming an exemption under an income tax treaty? . . . . **082** 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:
085
1 [ ] Exempt under paragraph 149(1)(e) or (l)
2 [ ] Exempt under paragraph 149(1)(j)
3 [ ] Exempt under paragraph 149(1)(t)
4 [ ] Exempt under other paragraphs of section 149

Do not use this area
095 **096**

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

		Yes	Schedule
Is the corporation related to any other corporations?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders who own voting shares?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered **yes** to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165		15
Is the corporation claiming a loss or deduction from a tax shelter?	166		T5004
Is the corporation a member of a partnership for which a partnership account number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205	X	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206		6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	207		7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232		T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134
Did the corporation have any controlled foreign affiliates?	258		T1134
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	X	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

Additional information

		1 Yes	2 No
Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270		X
Is the corporation inactive?	280		X

What is the corporation's main revenue-generating business activity? 221122 Electric Power Distribution

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	Hydro Services	285	100.000 %
286		287	%
288		289	%

		1 Yes	2 No
Did the corporation immigrate to Canada during the tax year?	291		X
Did the corporation emigrate from Canada during the tax year?	292		X
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293		

If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible 294 ______ YYYY MM DD

If the corporation's major business activity is construction, did you have any subcontractors during the tax year? 295 1 Yes ☐ 2 No ☐

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.			300	1,858,657	A
Deduct: Charitable donations from Schedule 2	311	50,150			
Gifts to Canada, a province, or a territory from Schedule 2	312				
Cultural gifts from Schedule 2	313				
Ecological gifts from Schedule 2	314				
Gifts of medicine from Schedule 2	315				
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320				
Part VI.1 tax deduction*	325				
Non-capital losses of previous tax years from Schedule 4	331				
Net capital losses of previous tax years from Schedule 4	332				
Restricted farm losses of previous tax years from Schedule 4	333				
Farm losses of previous tax years from Schedule 4	334				
Limited partnership losses of previous tax years from Schedule 4	335				
Taxable capital gains or taxable dividends allocated from a central credit union	340				
Prospector's and grubstaker's shares	350				
Subtotal		50,150	▶	50,150	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")				1,808,507	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions			355		D
Taxable income (amount C **plus** amount D)			360	1,808,507	
Income exempt under paragraph 149(1)(t)			370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)				1,808,507	Z

* This amount is equal to 3.5 times the Part VI.1 tax payable at line 724 on page 8. Use 3.2 for tax years ending before 2012.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	1,858,657	A
Taxable income from line 360 on page 3, **minus** 100/28* 3.57143 of the amount on line 632** on page 7, **minus** 1/(0.38 - X***) 4 times the amount on line 636**** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax	405	1,808,507	B
Business limit (see notes 1 and 2 below)	410	500,000	C

Notes:

1. For CCPCs that are not associated, enter $ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C 500,000 x 415 ***** 90,205 D / 11,250 = 4,009,111 E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") 425 ______ F

Small business deduction

Amount A, B, C, or F, whichever is the least ______ x 17 % = 430 ______ G

Enter amount G on line 1 on page 7.

* 10/3 for tax years ending before November 1, 2011. The result of the multiplication by line 632 has to be pro-rated based on the number of days in the tax year that are in each period: before November 1, 2011, and after October 31, 2011.

** Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

*** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

**** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

***** **Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360 on page 3*			1,808,507	A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27		B		
Amount QQ from Part 13 of Schedule 27		C		
Personal service business income**	432	D		
Amount used to calculate the credit union deduction (amount F from Schedule 17)		E		
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least		F		
Aggregate investment income from line 440 on page 6***		G		
Total of amounts B to G		►		H
Amount A **minus** amount H (if negative, enter "0")			1,808,507	I

Amount I 1,808,507 x (Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year 365) x 11.5 % = ______ J

Amount I 1,808,507 x (Number of days in the tax year after December 31, 2011 365 / Number of days in the tax year 365) x 13 % = 235,106 K

General tax reduction for Canadian-controlled private corporations – Amount J **plus** amount K .... 235,106 L

Enter amount L on line 638 on page 7.

* For tax years ending after October 31, 2011, line 360 or amount Z, whichever applies.

** For tax years beginning after October 31, 2011.

*** Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)				M
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27		N		
Amount QQ from Part 13 of Schedule 27		O		
Personal service business income*	434	P		
Amount used to calculate the credit union deduction (amount F from Schedule 17)		Q		
Total of amounts N to Q		►		R
Amount M **minus** amount R (if negative, enter "0")				S

Amount S ______ x (Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year 365) x 11.5 % = ______ T

Amount S ______ x (Number of days in the tax year after December 31, 2011 365 / Number of days in the tax year 365) x 13 % = ______ U

General tax reduction – Amount T **plus** amount U .... ______ V

Enter amount V on line 639 on page 7.

* For tax years beginning after October 31, 2011.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7	440	x 26 2 / 3 % =		A
Foreign non-business income tax credit from line 632 on page 7				B
Deduct: Foreign investment income from Schedule 7	445	x 9 1 / 3 % =		C
		(if negative, enter "0")		D
Amount A **minus** amount D (if negative, enter "0")				E
Taxable income from line 360 on page 3			1,808,507	F

Deduct:

Amount from line 400, 405, 410, or 425 on page 4, whichever is the least				G
Foreign non-business income tax credit from line 632 on page 7		x 25/9* 100 / 35 =		H
Foreign business income tax credit from line 636 on page 7		x 1(0.38 - X**) / 4 =		I
		Subtotal		J
			1,808,507	K
		x 26 2 / 3 % =	482,269	L
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 from page 8)			269,276	M
Refundable portion of Part I tax – Amount E, L, or M, whichever is the least	450			N

* 100/35 for tax years beginning after October 31, 2011.

** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year	460			
Deduct: Dividend refund for the previous tax year	465			
				O
Add the total of:				
Refundable portion of Part I tax from line 450 above				P
Total Part IV tax payable from Schedule 3				Q
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	480			
				R
Refundable dividend tax on hand at the end of the tax year – Amount O **plus** amount R	485			

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3	1,224,843	x 1 / 3 =	408,281	S
Refundable dividend tax on hand at the end of the tax year from line 485 above				T
Dividend refund – Amount S or T, whichever is less (enter this amount on line 784 on page 8)				

Part I tax

Base amount of Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38 %			550	687,233	A
Recapture of investment tax credit from Schedule 31			602		B

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6			i
Taxable income from line 360 on page 3	1,808,507		
Deduct:			
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Net amount	1,808,507 ▶	1,808,507	ii

Refundable tax on CCPC's investment income – 6 2/3 % of whichever is less: amount i or ii	604		C
Subtotal (**add** amounts A to C)		687,233	D

Deduct:

Small business deduction from line 430 on page 4			1		
Federal tax abatement	608	180,851			
Manufacturing and processing profits deduction from Schedule 27	616				
Investment corporation deduction	620				
Taxed capital gains 624					
Additional deduction – credit unions from Schedule 17	628				
Federal foreign non-business income tax credit from Schedule 21	632				
Federal foreign business income tax credit from Schedule 21	636				
General tax reduction for CCPCs from amount L on page 5	638	235,106			
General tax reduction from amount V on page 5	639				
Federal logging tax credit from Schedule 21	640				
Federal qualifying environmental trust tax credit	648				
Investment tax credit from Schedule 31	652	2,000			
Subtotal		417,957	▶	417,957	E

Part I tax payable – Amount D **minus** amount E	269,276	F

Enter amount F on line 700 on page 8.

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	269,276
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		269,276

Add provincial or territorial tax:

Provincial or territorial jurisdiction . . . 750 ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta)	760	162,978	
Provincial tax on large corporations (Nova Scotia Schedule 342)	765		
(The Nova Scotia tax on large corporations is eliminated effective July 1, 2012.) Total provincial tax		162,978 ▶	162,978
Total tax payable	770		432,254 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	627,737
Total credits	890	627,737 ▶ 627,737 B

Refund code 894 1 Overpayment 195,483

Balance (amount A **minus** amount B) -195,483

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid . . . .

Enclosed payment 898

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information 910 ______ Branch number

914 ______ Institution number 918 ______ Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? . . . 896 1 Yes ☐ 2 No ☒

If this return was prepared by a tax preparer for a fee, provide their EFILE number . . . 920 A4970

PREPARED SOLELY FOR INCOME TAX PURPOSES WITHOUT AUDIT OR REVIEW FROM INFORMATION PROVIDED BY THE TAXPAYER.

Certification

I, 950 Reece 951 Debbie 954 COO ,
Last name (print) First name (print) Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 2014-05-14 ______ 956 (519) 271-4700
Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below . . . 957 1 Yes ☐ 2 No ☒

958 Kelly McCann 959 (519) 271-4700
Name (print) Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français. 990 1

Canada Revenue Agency / Agence du revenu du Canada

Net Income (Loss) for Income Tax Purposes

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125				3,065,904	A
Add:					
Provision for income taxes – current		101	438,000		
Amortization of tangible assets		104	2,129,199		
Charitable donations and gifts from Schedule 2		112	50,150		
Non-deductible meals and entertainment expenses		121	4,976		
Reserves from financial statements – balance at the end of the year		126	1,397,008		
Subtotal of additions			4,019,333 ▶	4,019,333	
Other additions:					
Miscellaneous other additions:					
600 Non-deductible expenses		290	696,846		
601 ICM revenue recived in year		291	380,411		
603					
Inducement - ITA 12(1)(x)	12,929				
Total	12,929	293	12,929		
604					
Total		294			
Subtotal of other additions		199	1,090,186 ▶	1,090,186	
Total additions		500	5,109,519 ▶	5,109,519	B
Amount A **plus** amount B				8,175,423	
Deduct:					
Capital cost allowance from Schedule 8		403	3,578,194		
Cumulative eligible capital deduction from Schedule 10		405	71,165		
Reserves from financial statements – balance at the beginning of the year		414	1,458,962		
Subtotal of deductions			5,108,321 ▶	5,108,321	
Other deductions:					
Miscellaneous other deductions:					
700 Unrealized gain on swap		390	711,811		
701 Non-taxable reg asset items		391	484,634		
702 ATTC booked to accounting income		392	12,000		
704					
Total		394			
Subtotal of other deductions		499	1,208,445 ▶	1,208,445	
Total deductions		510	6,316,766 ▶	6,316,766	
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				1,858,657	

T2 SCH 1 E (12)

Canada

Attached Schedule with Total

Line 391 – Amount for line 701

Title Line 391 – Amount for line 701

Description	Amount
Non taxable construction WIP credit	375,885 00
Operating expense in VR account	104,816 00
Net non taxable interest	3,933 00
Total	484,634 00

Inducement

This form is used to calculate inducements that a corporation must add to its income under paragraph 12(1)(x) of the ITA. If an amount reduces the capital cost of a property, this amount will be indicated in Part "Tax credits whose amount should reduce the capital cost of property."

If you want to transfer an amount to Schedule 1 and include it in the corporation's income for tax purposes, select the corresponding check box in column A. You can also select the option **Select this check box to add all the amounts to income calculated in Schedule 1** to transfer all the amounts to Schedule 1. In either case, the column A check box will be selected for that amount and it will therefore be updated to Schedule 1.

Tax credits whose amount should be added to income

Select this check box to add all the amounts to income calculated in Schedule 1. . . . . ☐

Federal

A		
X	Investment tax credit from apprenticeship job creation expenditures	2,000
X	Investment tax credit from child care spaces expenditures	
	Canadian film or video production tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Film or video production services tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Investment tax credit claimed on contributions made to SR&ED farming organizations	

Ontario

A		
X	Portion of the Ontario research and development tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
	Ontario co-operative education tax credit	
X	Ontario apprenticeship training tax credit	10,929
	Ontario computer animation and special effects tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario film and television tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario production services tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario interactive digital media tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario sound recording tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario book publishing tax credit	
X	Portion of the Ontario innovation tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
	Ontario business-research institute tax credit	
	Ontario public transit expense tax credit	
	Ontario tax credit for the purchase of vehicles that use natural gas as a fuel* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	

Tax credits whose amount should reduce the capital cost of property

Canada Revenue Agency / Agence du revenu du Canada

Schedule 2

Charitable Donations and Gifts

Corporation's name	Business number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- For use by corporations to claim any of the following:
  - charitable donations to qualified donees;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a transfer of unused amounts from previous years following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the federal *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- The eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- A gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation - Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Various	50,150
Subtotal	50,150
Add: Total donations of less than $100 each	
Total donations in current tax year	50,150

	Line	Federal		Québec	Alberta
Charitable donations at the end of the previous tax year			A		
Deduct: Charitable donations expired after five tax years*	239				
Charitable donations at the beginning of the tax year	240		B		
Add:					
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250				
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	50,150		50,150	50,150
Subtotal (line 250 **plus** line 210)		50,150	C	50,150	50,150
Subtotal (amount B **plus** amount C)		50,150	D	50,150	50,150
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255				
Total charitable donations available (amount D **minus** amount on line 255)		50,150	E	50,150	50,150
Deduct: Amount applied against taxable income (cannot be more than amount O in Part 2) (enter this amount on line 311 of the T2 return)	260	50,150		50,150	50,150
Charitable donations closing balance (amount E **minus** amount on line 260)	280				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Charitable donations

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
7th prior year	2006-12-31			
8th prior year	2005-12-31			
9th prior year	2004-12-31			
10th prior year	2003-12-31			
11th prior year	2002-12-31			
12th prior year	2001-12-31			
13th prior year	2000-12-31			
14th prior year	1999-12-31			
15th prior year	1998-12-31			
16th prior year	1997-12-31			
17th prior year	1996-12-31			
18th prior year	1995-12-31			
19th prior year	1994-12-31			
20th prior year	1993-12-31			
21st prior year*	1992-12-31			
Total (to line A)				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * **multiplied** by 75 %		1,393,993	F
Taxable capital gains arising in respect of gifts of capital property included in Part 1 ** 225		G	
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) 227		H	
The amount of the recapture of capital cost allowance in respect of charitable gifts 230			
Proceeds of disposition, less outlays and expenses **	I		
Capital cost **	J		
Amount I or J, whichever is less 235			
Amount on line 230 or 235, whichever is less		K	
Subtotal (**add** amounts G, H, and K)		L	
Amount L **multiplied** by 25 %			M
Subtotal (amount F **plus** amount M)		1,393,993	N
Maximum allowable deduction for charitable donations (enter amount E from Part 1, amount N, or net income for tax purposes, whichever is less)		50,150	O

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

Part 3 – Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the previous tax year				A
Deduct: Gifts to Canada, a province, or a territory expired after five tax years		339		
Gifts to Canada, a province, or a territory at the beginning of the tax year		340		B
Add:				
Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350			
Total current-year gifts made to Canada, a province, or a territory *	310			
Subtotal (line 350 **plus** line 310)		▶		C
Subtotal (amount B **plus** amount C)				D
Deduct:				
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355			
Amount applied against taxable income (enter this amount on line 312 of the T2 return)	360			
Subtotal (line 355 **plus** line 360)		▶		E
Gifts to Canada, a province, or a territory closing balance (amount D **minus** amount E)		380		

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

		Federal		Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year			F		
Deduct: Gifts of certified cultural property expired after five tax years*	439				
Gifts of certified cultural property at the beginning of the tax year	440		G		
Add:					
Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450				
Total current-year gifts of certified cultural property	410				
Subtotal (line 450 **plus** line 410)			H		
Subtotal (amount G **plus** amount H)			I		
Deduct:					
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455				
Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460				
Subtotal (line 455 **plus** line 460)			J		
Gifts of certified cultural property closing balance (amount I **minus** amount J)	480				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
7th prior year	2006-12-31			
8th prior year	2005-12-31			
9th prior year	2004-12-31			
10th prior year	2003-12-31			
11th prior year	2002-12-31			
12th prior year	2001-12-31			
13th prior year	2000-12-31			
14th prior year	1999-12-31			
15th prior year	1998-12-31			
16th prior year	1997-12-31			
17th prior year	1996-12-31			
18th prior year	1995-12-31			
19th prior year	1994-12-31			
20th prior year	1993-12-31			
21st prior year*	1992-12-31			
Total				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 5 – Gifts of certified ecologically sensitive land

	Line	Federal	Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year			K	
Deduct: Gifts of certified ecologically sensitive land expired after five tax years	539			
Gifts of certified ecologically sensitive land at the beginning of the tax year	540		L	
Add:				
Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550			
Total current-year gifts of certified ecologically sensitive land	510			
Subtotal (line 550 **plus** line 510)			M	
Subtotal (amount L **plus** amount M)			N	
Deduct:				
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555			
Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560			
Subtotal (line 555 **plus** line 560)			O	
Gifts of certified ecologically sensitive land closing balance (amount N **minus** amount O)	580			

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
7th prior year	2006-12-31			
8th prior year	2005-12-31			
9th prior year	2004-12-31			
10th prior year	2003-12-31			
11th prior year	2002-12-31			
12th prior year	2001-12-31			
13th prior year	2000-12-31			
14th prior year	1999-12-31			
15th prior year	1998-12-31			
16th prior year	1997-12-31			
17th prior year	1996-12-31			
18th prior year	1995-12-31			
19th prior year	1994-12-31			
20th prior year	1993-12-31			
21st prior year*	1992-12-31			
Total				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 6 – Additional deduction for gifts of medicine

		Federal		Québec		Alberta	
Additional deduction for gifts of medicine at the end of the previous tax year			P				
Deduct: Additional deduction for gifts of medicine expired after five tax years	639						
Additional deduction for gifts of medicine at the beginning of the tax year	640		Q				
Add:							
Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650						
Additional deduction for gifts of medicine for the current year:							
Proceeds of disposition	602		1		1		1
Cost of gifts of medicine	601		2		2		2
Subtotal (line 1 **minus** line 2)			3		3		3
Line 3 **multiplied** by 50 %			4		4		4
Eligible amount of gifts	600		5		5		5

Federal

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year **610** ______

Québec

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year ______

Alberta

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year ______

where:

a is the **lesser** of line 2 and line 4

b is the eligible amount of gifts (line 600)

c is the proceeds of disposition (line 602)

		Federal		Québec	Alberta
Subtotal (line 650 **plus** line 610)			R		
Subtotal (amount Q **plus** amount R)			S		
Deduct:					
Adjustment for an acquisition of control	655				
Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660				
Subtotal (line 655 **plus** line 660)			T		
Additional deduction for gifts of medicine closing balance (amount S **minus** amount T)	680				

Amounts carried forward – Additional deduction for gifts of medicine

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2008-12-31			
6th prior year*	2007-12-31			
Total				

***** These donations expired in the current year.

Québec – Gifts of musical instruments

Gifts of musical instruments at the end of the previous tax year		A
Deduct: Gifts of musical instruments expired after twenty tax years		B
Gifts of musical instruments at the beginning of the tax year		C
Add:		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary		D
Total current-year gifts of musical instruments		E
Subtotal (line D **plus** line E)		F
Deduct: Adjustment for an acquisition of control		G
Total gifts of musical instruments available		H
Deduct: Amount applied against taxable income		I
Gifts of musical instruments closing balance		J

Amounts carried forward – Gifts of musical instruments

Year of origin:		Québec
1st prior year	2012-12-31	
2nd prior year	2011-12-31	
3rd prior year	2010-12-31	
4th prior year	2009-12-31	
5th prior year	2008-12-31	
6th prior year*	2007-12-31	
7th prior year	2006-12-31	
8th prior year	2005-12-31	
9th prior year	2004-12-31	
10th prior year	2003-12-31	
11th prior year	2002-12-31	
12th prior year	2001-12-31	
13th prior year	2000-12-31	
14th prior year	1999-12-31	
15th prior year	1998-12-31	
16th prior year	1997-12-31	
17th prior year	1996-12-31	
18th prior year	1995-12-31	
19th prior year	1994-12-31	
20th prior year	1993-12-31	
21st prior year*	1992-12-31	
Total		

* These gifts expired in the current year.

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DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act.*
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- Column A – Enter "X" if dividends received from a foreign source (connected corporation only).
- Column F1 – Enter the amount of dividends received reported in column 240 that are eligible.
- Column F2 – Enter the code that applies to the deductible taxable dividend.
- Column F3 – Enter if dividends have been received or not after December 20, 2012. This information is required for corporations that must complete Schedules 71 and 72. For more details with regards to this column, consult the Help.

Part 1 – Dividends received in the tax year

Do not include dividends received from foreign non-affiliates.

Name of payer corporation (from which the corporation received the dividend) 200	A	B Enter 1 if payer corporation is connected 205	C Business Number of connected corporation 210	D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD (See note) 220	E Non-taxable dividend under section 83 230

Columns B, C and D: Complete if payer corporation is connected

Total (enter on line 402 of Schedule 1)

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.
For more details, consult the Help.

F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)* 240	F1 Eligible dividends (included in column F)	F2	F3	G Total taxable dividends paid by connected payer corporation (for tax year in column D) 250	H Dividend refund of the connected payer corporation (for tax year in column D)** 260	I Part IV tax before deductions F x 1 / 3 *** 270
						J

Columns G and H: Complete if payer corporation is connected

Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)

* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

** If the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

*** For dividends received from connected corporations: Part IV tax = $\frac{\text{Column F x Column H}}{\text{Column G}}$

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)			
Deduct:			
Part IV.I tax payable on dividends subject to Part IV tax		320	
		Subtotal	
Deduct:			
Current-year non-capital loss claimed to reduce Part IV tax	330		
Non-capital losses from previous years claimed to reduce Part IV tax	335		
Current-year farm loss claimed to reduce Part IV tax	340		
Farm losses from previous years claimed to reduce Part IV tax	345		
Total losses applied against Part IV tax		x 1 / 3 =	
Part IV tax payable (enter amount on line 712 of the T2 return)		360	

Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund

	A Name of connected recipient corporation 400	B Business Number 410	C Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD (See note) 420	D Taxable dividends paid to connected corporations 430	D1 Eligible dividends (included in column D)
1	City of Stratford	NR	2013-12-31	1,224,843	

Note
If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation. For more details, consult the Help.

Total 1,224,843

Total taxable dividends paid in the tax year to other than connected corporations		450	
Eligible dividends (included in line 450)	450a		
Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above **plus** line 450)		460	1,224,843

Part 4 – Total dividends paid in the tax year

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above)			1,224,843
Other dividends paid in the tax year (total of 510 to 540)			
Total dividends paid in the tax year		500	1,224,843
Deduct:			
Dividends paid out of capital dividend account	510		
Capital gains dividends	520		
Dividends paid on shares described in subsection 129(1.2)	530		
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	540		
Subtotal		▶	
Total taxable dividends paid in the tax year that qualify for a dividend refund			1,224,843

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Schedule 5

TAX CALCULATION SUPPLEMENTARY – CORPORATIONS

Corporation's name	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Use this schedule if, during the tax year, the corporation:
  - had a permanent establishment in more than one jurisdiction (corporations that have no taxable income should only complete columns A, B and D in Part 1);
  - is claiming provincial or territorial tax credits or rebates (see Part 2); or
  - has to pay taxes, other than income tax, for Newfoundland and Labrador, or Ontario (see Part 2).
- Regulations mentioned in this schedule are from the *Income Tax Regulations.*
- For more information, see the *T2 Corporation – Income Tax Guide.*
- Enter the regulation number in field 100 of Part 1.

Part 1 – Allocation of taxable income

100 ______ Enter the Regulation that applies (402 to 413).

A Jurisdiction Tick yes if the corporation had a permanent establishment in the jurisdiction during the tax year. *		B Total salaries and wages paid in jurisdiction	C (B x taxable income**) / G	D Gross revenue	E (D x taxable income**) / H	F Allocation of taxable income (C + E) x 1/2*** (where either G or H is nil, do not multiply by 1/2)
Newfoundland and Labrador	003 1 Yes	103		143		
Newfoundland and Labrador offshore	004 1 Yes	104		144		
Prince Edward Island	005 1 Yes	105		145		
Nova Scotia	007 1 Yes	107		147		
Nova Scotia offshore	008 1 Yes	108		148		
New Brunswick	009 1 Yes	109		149		
Quebec	011 1 Yes	111		151		
Ontario	013 1 Yes	113		153		
Manitoba	015 1 Yes	115		155		
Saskatchewan	017 1 Yes	117		157		
Alberta	019 1 Yes	119		159		
British Columbia	021 1 Yes	121		161		
Yukon	023 1 Yes	123		163		
Northwest Territories	025 1 Yes	125		165		
Nunavut	026 1 Yes	126		166		
Outside Canada	027 1 Yes	127		167		
Total		129 G		169 H		

* "Permanent establishment" is defined in Regulation 400(2).

** If the corporation has income or loss from an international banking centre: the taxable income is the amount on line 360 or line Z of the T2 return **plus** the total amount not required to be included, or **minus** the total amount not allowed to be deducted, in calculating the corporation's income under section 33.1 of the federal *Income Tax Act*. This does not apply to tax years starting after March 20, 2013.

*** For corporations other than those described under Regulation 402, use the appropriate calculation described in the Regulations to allocate taxable income.

Notes:

1. After determining the allocation of taxable income, you have to calculate the corporation's provincial or territorial tax payable. For more information on how to calculate the tax for each province or territory, see the instructions for Schedule 5 in the *T2 Corporation – Income Tax Guide*.
2. If the corporation has provincial or territorial tax payable, complete Part 2.

Part 2 – Ontario tax payable, tax credits, and rebates

Total taxable income	Income eligible for small business deduction	Provincial or territorial allocation of taxable income	Provincial or territorial tax payable before credits
1,808,507		1,808,507	172,978

Description	Line	Amount		Total	
Ontario basic income tax (from Schedule 500)	270	207,978			
Deduct: Ontario small business deduction (from Schedule 500)	402	35,000			
Subtotal		172,978	►	172,978	A6
Add:					
Ontario additional tax re Crown royalties (from Schedule 504)	274				
Ontario transitional tax debits (from Schedule 506)	276				
Recapture of Ontario research and development tax credit (from Schedule 508)	277				
Subtotal			►		B6
Subtotal (amount A6 **plus** amount B6)				172,978	C6
Deduct:					
Ontario resource tax credit (from Schedule 504)	404				
Ontario tax credit for manufacturing and processing (from Schedule 502)	406				
Ontario foreign tax credit (from Schedule 21)	408				
Ontario credit union tax reduction (from Schedule 500)	410				
Ontario transitional tax credits (from Schedule 506)	414				
Ontario political contributions tax credit (from Schedule 525)	415				
Ontario tax credit for the purchase of vehicles that use natural gas as a fuel					
Subtotal			►		D6
Subtotal (amount C6 **minus** amount D6) (if negative, enter "0")				172,978	E6
Deduct: Ontario research and development tax credit (from Schedule 508)			416		
Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 **minus** amount on line 416) (if negative, enter "0")				172,978	F6
Deduct: Ontario corporate minimum tax credit (from Schedule 510)			418		
Ontario corporate income tax payable (amount F6 **minus** amount on line 418) (if negative, enter "0")				172,978	G6
Add:					
Ontario corporate minimum tax (from Schedule 510)	278				
Ontario special additional tax on life insurance corporations (from Schedule 512)	280				
Subtotal			►		H6
Total Ontario tax payable before refundable credits (amount G6 **plus** amount H6)				172,978	I6
Deduct:					
Ontario qualifying environmental trust tax credit	450				
Ontario co-operative education tax credit (from Schedule 550)	452				
Ontario apprenticeship training tax credit (from Schedule 552)	454	10,000			
Ontario computer animation and special effects tax credit (from Schedule 554)	456				
Ontario film and television tax credit (from Schedule 556)	458				
Ontario production services tax credit (from Schedule 558)	460				
Ontario interactive digital media tax credit (from Schedule 560)	462				
Ontario sound recording tax credit (from Schedule 562)	464				
Ontario book publishing tax credit (from Schedule 564)	466				
Ontario innovation tax credit (from Schedule 566)	468				
Ontario business-research institute tax credit (from Schedule 568)	470				
Other Ontario tax credits					
Subtotal		10,000	►	10,000	J6
Net Ontario tax payable or refundable credit (amount I6 **minus** amount J6) (if a credit, enter a negative amount) Include this amount on line 255.			290	162,978	K6

Summary

Enter the total net tax payable or refundable credits for all provinces and territories on line 255.

Net provincial and territorial tax payable or refundable credits 255 162,978

If the amount on line 255 is positive, enter the net provincial and territorial tax payable on line 760 of the T2 return.
If the amount on line 255 is negative, enter the net provincial and territorial refundable tax credits on line 812 of the T2 return.

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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes [ ] 2 No [X]

	1 Class number (See Note) 200	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year) 201	3 Cost of acquisitions during the year (new property must be available for use)* 203	4 Net adjustments** 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)*** 211	7 Reduced undepreciated capital cost	8 CCA rate % **** 212	9 Recapture of capital cost allowance (line 107 of Schedule 1) 213	10 Terminal loss (line 404 of Schedule 1) 215	11 Capital cost allowance (for declining balance method, column 7 **multiplied** by column 8, or a lower amount) (line 403 of Schedule 1) ***** 217	12 Undepreciated capital cost at the end of the year (column 6 **plus** column 7 **minus** column 11) 220
1.	1		19,680,816			0		19,680,816	4	0	0	787,233	18,893,583
2.	1b			5,867,563		0	2,933,782	2,933,781	6	0	0	176,027	5,691,536
3.	2		2,992,799			0		2,992,799	6	0	0	179,568	2,813,231
4.	6			99,544		0	49,772	49,772	10	0	0	4,977	94,567
5.	8		1,865,411	701,726		0	350,863	2,216,274	20	0	0	443,255	2,123,882
6.	10		787,820	76,798		0	38,399	826,219	30	0	0	247,866	616,752
7.	12		24,355	92,110		0	46,055	70,410	100	0	0	70,410	46,055
8.	14	CCRA contract - 25 year		436,468		0		436,468	NA	0	0	11,767	424,701
9.	14	CCRA contract- 15 year		480,000		0		480,000	NA	0	0	15,781	464,219
10.	17			126,099		0	63,050	63,049	8	0	0	5,044	121,055
11.	43.2		102,080			0		102,080	50	0	0	51,040	51,040
12.	45		1,428			0		1,428	45	0	0	643	785
13.	46	Server, Router		9,637		0	4,819	4,818	30	0	0	1,445	8,192
14.	47		13,895,868	9,858,999		0	4,929,500	18,825,367	8	0	0	1,506,029	22,248,838
15.	50		39,639	201,119		0	100,560	140,198	55	0	0	77,109	163,649
16.	95	Smart Meters - Not in Use	256,541	280,676		256,541		280,676	0	0	0		280,676
17.	95	Transformer Station Equipmmen	8,113,559			8,113,559			0	0	0		
18.	95	Transformers - Not available for	1,426,150	1,193,404		1,426,150		1,193,404	0	0	0		1,193,404
		Totals	49,186,466	19,424,143		9,796,250	8,516,800	50,297,559				3,578,194	55,236,165

Note: Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) **plus** or **minus** certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** Enter a rate only, if you are using the declining balance method. For any other method (for example the straignt-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

***** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

T2 SCH 8 (11)

Canada

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	Name 100	Country of residence (other than Canada) 200	Business number (see note 1) 300	Relationship code (see note 2) 400	Number of common shares you own 500	% of common shares you own 550	Number of preferred shares you own 600	% of preferred shares you own 650	Book value of capital stock 700
1.	Festival Hydro Services Inc.	CA	86295 3726 RC0001	3					249,235

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.
Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

T2 SCH 9 (11) Canada

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0") .... 200 — 94,116 A

Add:
Cost of eligible capital property acquired during the taxation year .... 222 — 1,230,026
Other adjustments .... 226 —
Subtotal (line 222 plus line 226) 1,230,026 x 3 / 4 = 922,520 B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002 .... 228 — x 1 / 2 = C
amount B minus amount C (if negative, enter "0") 922,520 ▶ 922,520 D
Amount transferred on amalgamation or wind-up of subsidiary .... 224 — E
Subtotal (add amounts A, D, and E) 230 — 1,016,636 F

Deduct:
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year .... 242 — G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) .... 244 — H
Other adjustments .... 246 — I
(add amounts G,H, and I) x 3 / 4 = 248 — J

Cumulative eligible capital balance (amount F minus amount J) .... 1,016,636 K
(if amount K is negative, enter "0" at line M and proceed to Part 2)
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business 249 —
amount K 1,016,636
less amount from line 249
Current year deduction .... 1,016,636 x 7.00 % = 250 — 71,165 *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1) 71,165 ▶ 71,165 L

Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0") .... 300 — 945,471 M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

Part 2 – Amount to be included in income arising from disposition

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)						N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988			400		1	
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)			401		2	
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402		3			
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408		4			
Line 3 minus line 4 (if negative, enter "0")			▶		5	
Total of lines 1, 2 and 5					6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400			7			
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000			8			
Subtotal (line 7 plus line 8)	409		▶		9	
Line 6 minus line 9 (if negative, enter "0")					▶	O
Line N minus line O (if negative, enter "0")						P
Line 5				x 1 / 2 =		Q
Line P minus line Q (if negative, enter "0")						R
Amount R				x 2 / 3 =		S
Amount N or amount O, whichever is less						T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)					410	

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1	Post employment benefits	1,458,962			61,954	1,397,008
2						
	Reserves from Part 2 of Schedule 13					
	Totals	1,458,962			61,954	1,397,008

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

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SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

1 – Associated for purposes of allocating the business limit (unless code 5 applies)
2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
4 – Associated non-CCPC
5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum $300,000
2007	$300,001 to $400,000

Calendar year	Acceptable range
2008	maximum $400,000
2009	$400,001 to $500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed $500,000.

Allocating the business limit

Date filed (do not use this area) . . . . . **025** Year Month Day

Enter the calendar year to which the agreement applies . . . . . **050** Year 2013

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? . . . . . **075** 1 Yes [ ] 2 No [X]

	1 Names of associated corporations **100**	2 Business Number of associated corporations **200**	3 Association code **300**	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % **350**	6 Business limit allocated* $ **400**
1	Festival Hydro Inc.	89957 1814 RC0001	1	500,000	100.0000	500,000
2	Festival Hydro Services Inc.	86295 3726 RC0001	1	500,000		
				Total	100.0000	500,000 **A**

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to 0.225% x (A - $10,000,000) where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2009, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if $500,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

** The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

*** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.

Canada Revenue Agency / Agence du revenu du Canada

Schedule 31

Investment Tax Credit – Corporations

General information

- Use this schedule:
  - to calculate an investment tax credit (ITC) earned during the tax year;
  - to claim a deduction against Part I tax payable;
  - to claim a refund of credit earned during the current tax year;
  - to claim a carryforward of credit from previous tax years;
  - to transfer a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - to request a credit carryback to one or more previous years; or
  - if you are subject to a recapture of ITC.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- Investments or expenditures, described in subsection 127(9) of the Act and Part XLVI of the Regulations, that earn an ITC are:
  - qualified property and qualified resource property (Parts 4 to 7 of this schedule);
  - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). File Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim;*
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
- Include a completed copy of this schedule with the *T2 Corporation Income Tax Return*. If you need more space, attach additional schedules.
- For more information on ITCs, see "Investment Tax Credit" in Guide T4012, *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release*.*
- For more information on SR&ED, see Brochure RC4472, *Overview of the Scientific Research and Experimental Development Program (SR&ED) Tax Incentive Program*; Brochure RC4467, *Support for your R&D in Canada*, and T4088, *Guide to Form T661 – Scientific Research and Experimental Development (SR&ED) Expenditures Claim*. Also see the *Eligibility of Work for SR&ED Investment Tax Credits Policy* at **www.cra.gc.ca/txcrdt/sred-rsde/clmng/lgbltywrkfrsrdnvstmnttxcrdts-eng.html**.

Detailed information

- For the purpose of this schedule, **investment** means the capital cost of the property (excluding amounts added by an election under section 21 of the Act), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be **available for use** before a claim for an ITC can be made. See subsections 127(11.2) and 248(19) for more information.
- Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which it incurred the expenditures or capital costs.
- Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068, *Guide for the Partnership Information Return*.
- For SR&ED expenditures, the expression **in Canada** includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone.
- For the purpose of this schedule, the expression **Atlantic Canada** includes the Gaspé Peninsula and the provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick, as well as their respective offshore regions (prescribed in Regulation 4609).
- For the purpose of this schedule, **qualified property** means property in Atlantic Canada that is used primarily for manufacturing and processing, farming or fishing, logging, storing grain, or harvesting peat. Property in Atlantic Canada that is used primarily for oil and gas, and mining activities is considered qualified property only if acquired by the taxpayer **before** March 29, 2012. Qualified property includes new buildings and new machinery and equipment (prescribed in Regulation 4600), and if acquired by the taxpayer **after** March 28, 2012, new energy generation and conservation property (prescribed in Regulation 4600). Qualified property can also be used primarily to produce or process electrical energy or steam in a prescribed area (as described in Regulation 4610). See the definition of **qualified property** in subsection 127(9) of the Act for more information.
- For the purpose of this schedule, **qualified resource property** means property in Atlantic Canada that is used primarily for oil and gas, and mining activities, if acquired by the taxpayer **after** March 28, 2012, and **before** January 1, 2016. Qualified resource property includes new buildings and new machinery and equipment (prescribed in Regulation 4600). See the definition of **qualified resource property** in subsection 127(9) of the Act for more information.

Detailed information (continued)

- For the purpose of this schedule, **pre-production mining exploration expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to determine the existence, location, extent, or quality of certain mineral resources in Canada, excluding expenses incurred in the exploration of an oil or gas well. See subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.
- For the purpose of this schedule, **pre-production mining development expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to bring a new mineral resource mine in Canada into production, excluding expenses in the development of a bituminous sands deposit or an oil shale deposit. See subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.

Part 1 – Investments, expenditures, and percentages

Investments	**Specified percentage**
Qualified property acquired primarily for use in Atlantic Canada	10 %
Qualified resource property acquired primarily for use in Atlantic Canada and acquired:	
– after March 28, 2012, and before 2014	10 %
– after 2013 and before 2016	5 %
– after 2015*	0 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate**.	
If you are a corporation that is not a CCPC and have incurred qualified expenditures for SR&ED in any area in Canada:	
– before 2014**	20 %
– after 2013**	15 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures before March 29, 2012	10 %
If you are a taxable Canadian corporation that incurred pre-production mining exploration expenditures***:	
– after March 28, 2012, and before 2013	10 %
– in 2013	5 %
– after 2013***	0 %
If you are a taxable Canadian corporation that incurred pre-production mining development expenditures****:	
– after March 28, 2012, and before 2014****	10 %
– in 2014	7 %
– in 2015	4 %
– after 2015****	0 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

* A transitional relief rate of 10% may apply to property acquired after 2013 and before 2017, if the property is acquired under a written agreement entered into before March 29, 2012, or the property is acquired as part of a **phase** of a project where the construction or the engineering and design work for the construction started before March 29, 2012. See paragraph (a.1) of the definition of **specified percentage** in subsection 127(9) for more information.

** The reduction of the rate from 20% to 15% applies to 2014 and later tax years, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

*** Pre-production mining exploration expenditures are described in subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9).

**** A transitional relief rate of 10% may apply to expenditures incurred after 2013 and before 2016, if the expenditure is incurred under a written agreement entered into before March 29, 2012, or the expenditure is incurred as part of the development of a new mine where the construction or the engineering and design work for the construction of the new mine started before March 29, 2012. See subparagraph (k)(ii) of the definition of **specified percentage** in subsection 127(9) for more information. Pre-production mining development expenditures are described in subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9).

Corporation's name	Business number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . **101** 1 Yes [ ] 2 No [X]

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC and its taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

Note: A CCPC calculating a refundable ITC is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

Some CCPCs that are **not qualifying** corporations may also earn a **100%** refund on their share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;

b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or

c) any combination of persons referred to in a) or b) above.

* Capital expenditures incurred after December 31, 2013, including lease payments for property that would have been a capital expenditure if purchased directly, are **not** qualified SR&ED expenditures and are **not** eligible for an ITC on SR&ED expenditures.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions.

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? . . . . **102** 1 Yes [ ] 2 No [X]

Contributions to agricultural organizations for SR&ED* . . . . **103** ______

If **yes**, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see Guide RC4088, *General Index of Financial Information (GIFI)*. Enter contributions on line 350 of Part 8.

* Enter only contributions not already included on Form T661. Include all of the contributions made before 2013 and 80% of the contributions made after 2012.

Qualified Property and Qualified Resource Property

Part 4 – Eligible investments for qualified property and qualified resource property from the current tax year

CCA* class number **105**	Description of investment **110**	Date available for use **115**	Location used (province or territory) **120**	Amount of investment **125**
			Total of investments for qualified property and qualified resource property	A

* CCA: capital cost allowance

Part 5 – Current-year credit and account balances – ITC from investments in qualified property and qualified resource property

ITC at the end of the previous tax year				B
Deduct:				
Credit deemed as a remittance of co-op corporations	210			
Credit expired	215			
Subtotal (line 210 **plus** line 215)			▶	C
ITC at the beginning of the tax year (amount B **minus** amount C)			220	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	230			
ITC from repayment of assistance	235			
Qualified property; and qualified resource property acquired after March 28, 2012, and before January 1, 2014* (applicable part of amount A from Part 4) ______ x 10 % =	240			
Qualified resource property acquired after December 31, 2013, and before January 1, 2016 (applicable part of amount A from Part 4) ______ x 5 % =	242			
Credit allocated from a partnership	250			
Subtotal (total of lines 230 to 250)			▶	D
Total credit available (line 220 **plus** amount D)				E
Deduct:				
Credit deducted from Part I tax (enter at amount D in Part 30)	260			
Credit carried back to the previous year(s) (amount H from Part 6)			a	
Credit transferred to offset Part VII tax liability	280			
Subtotal (total of line 260, amount a, and line 280)			▶	F
Credit balance before refund (amount E **minus** amount F)				G
Deduct:				
Refund of credit claimed on investments from qualified property and qualified resource property (from Part 7)			310	
ITC closing balance of investments from qualified property and qualified resource property (amount G **minus** line 310)			320	

* Include investments acquired after 2013 and before 2017 that are eligible for transitional relief.

Part 6 – Request for carryback of credit from investments in qualified property and qualified resource property

	Year	Month	Day			
1st previous tax year				Credit to be applied	901	
2nd previous tax year				Credit to be applied	902	
3rd previous tax year				Credit to be applied	903	
				Total (enter at amount a in Part 5)		H

Part 7 – Refund of ITC for qualifying corporations on investments from qualified property and qualified resource property

Current-year ITCs (total of lines 240, 242, and 250 from Part 5)		I
Credit balance before refund (amount G from Part 5)		J
Refund (40 % of amount I or J, whichever is less)		K

Enter amount K or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

SR&ED

Part 8 – Qualified SR&ED expenditures

Current expenditures

Current expenditures (from line 557 on Form T661)			
Add:			
Contributions to agricultural organizations for SR&ED*			
Current expenditures (line 557 on Form T661 **plus** line 103 from Part 3)*	►	350	
Capital expenditures incurred **before** 2014 (from line 558 on Form T661)**		360	
Repayments made in the year (from line 560 on Form T661)		370	
Qualified SR&ED expenditures (total of lines 350 to 370)		380	

* If you are claiming only contributions made to agricultural organizations for SR&ED, line 350 should equal line 103 in Part 3. Do not file Form T661.

** Capital expenditures incurred after December 31, 2013, are not qualified SR&ED expenditures.

Part 9 – Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC.

Note: A CCPC that calculates an SR&ED expenditure limit is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:
- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? 385 1 Yes [ ] 2 No [X]

Complete lines 390 and 398 if you answered **no** to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied)		390	2,723,776
Enter your taxable capital employed in Canada for the previous tax year minus $10 million. If this amount is nil or negative, enter "0". If this amount is over $40 million, enter $40 million	47,310,084	398	37,310,084

* If either of the tax years referred to at line 390 is less than 51 weeks, **multiply** the taxable income by the following result: 365 **divided** by the number of days in these tax years.

Part 10 – SR&ED expenditure limit for a CCPC

For a stand-alone corporation:		$ 8,000,000	
Deduct:			
Taxable income for the previous tax year (line 390 from Part 9) or $500,000, whichever is more	2,723,776 x 10 =	27,237,760	A
Excess ($8,000,000 **minus** amount A; if negative, enter "0")			B
$ 40,000,000 **minus** line 398 from Part 9	2,689,916 a		
Amount a **divided** by $ 40,000,000		0.06725	C
Expenditure limit for the stand-alone corporation (amount B **multiplied** by amount C)			D*
For an associated corporation:			
If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49	400		E*

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Amount D or E ______ x (Number of days in the tax year 365) / 365 = ______ F

Your **SR&ED expenditure limit for the year** (enter the amount from line D, E, or F, whichever applies) 410 ______

* Amount D or E cannot be more than $3,000,000.

Part 11 – Investment tax credits on SR&ED expenditures

Current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10), whichever is less*	420		x	35 %	=	G
Line 350 **minus** line 410 (if negative, enter "0")**	430		x	20 %	=	H
Line 410 **minus** line 350 (if negative, enter "0")			b			
Capital expenditures (line 360 from Part 8) or amount b above, whichever is less*	440		x	35 %	=	I
Line 360 **minus** amount b above (if negative, enter "0")**	450		x	20 %	=	J

Repayments (amount from line 370 in Part 8)

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.**

460	x	35 %	=	c	
480	x	20 %	=	d	
Subtotal (amount c **plus** amount d)				▶	K

Current-year SR&ED ITC (total of amounts G to K; enter on line 540 in Part 12) L

* For corporations that are not CCPCs, enter "0" for amounts G and I.

** For tax years that end after 2013, the general SR&ED rate is reduced from 20% to 15%, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

Part 12 – Current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the previous tax year				M
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired	515			
Subtotal (line 510 **plus** line 515)		▶		N
ITC at the beginning of the tax year (amount M **minus** amount N)			520	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit (from amount L in Part 11)	540			
Credit allocated from a partnership	550			
Subtotal (total of lines 530 to 550)		▶		O
Total credit available (line 520 **plus** amount O)				P
Deduct:				
Credit deducted from Part I tax (enter at amount E in Part 30)	560			
Credit carried back to the previous year(s) (amount S from Part 13)		e		
Credit transferred to offset Part VII tax liability	580			
Subtotal (total of line 560, amount e, and line 580)		▶		Q
Credit balance before refund (amount P **minus** amount Q)				R
Deduct:				
Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies)			610	
ITC closing balance on SR&ED (amount R **minus** line 610)			620	

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	911	
2nd previous tax year				Credit to be applied	912	
3rd previous tax year				Credit to be applied	913	

Total (enter at amount e in Part 12) ______ S

Part 14 – Refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 in Part 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . . . 650 1 Yes ☐ 2 No ☒

Current-year ITC (lines 540 **plus** 550 from Part 12 **minus** amount K from Part 11) . . . . . ______ f

Refundable credits (amount f above or amount R from Part 12, whichever is less)* . . . . . ______ T

Deduct:

Amount T or amount G from Part 11, whichever is less . . . . . ______ U

Net amount (amount T **minus** amount U; if negative, enter "0") . . . . . ______ V

Amount V **multiplied** by 40 % . . . . . ______ W

Add:

Amount U . . . . . ______ X

Refund of ITC (amount W **plus** amount X – enter this, or a lesser amount, on line 610 in Part 12) . . . . . ______ Y

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC for amount Y.

Part 15 – Refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined at line 101 in Part 2.

Credit balance before refund (amount R from Part 12) . . . . . ______ Z

Deduct:

Amount Z or amount G from Part 11, whichever is less . . . . . ______ AA

Net amount (amount Z **minus** amount AA; if negative, enter "0") . . . . . ______ BB

Amount BB or amount I from Part 11, whichever is less . . . . . ______ CC

Amount CC **multiplied** by 40 % . . . . . ______ DD

Add :

Amount AA . . . . . ______ EE

Refund of ITC (amount DD **plus** amount EE) . . . . . ______ FF

Enter FF, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

Recapture – SR&ED

Part 16 – Recapture of ITC for corporations and corporate partnerships – SR&ED

You will have a recapture of ITC in a year when **all** of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note:

The recapture **does not apply** if you disposed of the property to a non-arm's-length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's-length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	Amount from column 700 or 710, whichever is less

Subtotal (enter this amount at amount C in Part 17) ______ A

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B in Part 16 on page 9.

A Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	**B** Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	**C** Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) **740**

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B below.

D Amount determined by the formula (A x B) – C	**E** ITC earned by the transferee for the qualified expenditures that were transferred **750**	**F** Amount from column D or E, whichever is less

Subtotal (enter this amount at amount D in Part 17) ______ B

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 760 below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported at amount E in Part 17) **760** ______

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from amount A in Part 16		C
Recaptured ITC for calculation 2 from amount B in Part 16		D
Recaptured ITC for calculation 3 from line 760 in Part 16		E
Total recapture of SR&ED investment tax credit – total of amounts C to E		F

Enter amount F at amount A in Part 29.

Pre-Production Mining

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

For each of the minerals reported in column 800, identify each project (in column 805), mineral title (in column 806), and mining division (in column 807) where title is registered. If there is no mineral title, identify only the project and mining division.

List of minerals 800	Project name 805

Mineral title 806	Mining division 807

Pre-production mining expenditures*

Exploration:

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting	810		
Geological, geophysical, or geochemical surveys	811		
Drilling by rotary, diamond, percussion, or other methods	812		
Trenching, digging test pits, and preliminary sampling	813		

Development:

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping	820		
Sinking a mine shaft, constructing an adit, or other underground entry	821		

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826
Add amounts in column 826	

Add amounts in column 826 ▶			A
Total pre-production mining expenditures (total of lines 810 to 821 and amount A)	830		
Deduct:			
Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above	832		
Excess (line 830 **minus** line 832) (if negative, enter "0")			B
Add:			
Repayments of government and non-government assistance	835		
Pre-production mining expenditures (amount B **plus** line 835)			C

* A pre-production mining expenditure is defined under subsection 127(9).

Part 19 – Current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year . . . . D

Deduct:

Credit deemed as a remittance of co-op corporations 841

Credit expired 845

Subtotal (line 841 **plus** line 845) ▶ E

ITC at the beginning of the tax year (amount D **minus** amount E) 850

Add:

Credit transferred on amalgamation or wind-up of subsidiary 860

Pre-production mining expenditures* incurred before January 1, 2013 (applicable part of amount C from Part 18)	870		x	10 %	=		a
Pre-production mining exploration expenditures incurred in 2013 (applicable part of amount C from Part 18)	872		x	5 %	=		b
Pre-production mining development expenditures incurred in 2014 (applicable part of amount C from Part 18)	874		x	7 %	=		c
Pre-production mining development expenditures incurred in 2015 (applicable part of amount C from Part 18)	876		x	4 %	=		d

Current year credit (total of amounts a to d) 880 ▶ F

Total credit available (total of lines 850, 860, and amount F) . . . . . G

Deduct:

Credit deducted from Part I tax (enter at amount F in Part 30) 885

Credit carried back to the previous year(s) (amount I from Part 20) . . . . . e

Subtotal (line 885 **plus** amount e) ▶ H

ITC closing balance from pre-production mining expenditures (amount G **minus** amount H) 890

* Also include pre-production mining development expenditures incurred before 2014 and pre-production mining development expenditures incurred after 2013 and before 2016 that are eligible for transitional relief.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day		Line	Amount
1st previous tax year				Credit to be applied	921	
2nd previous tax year				Credit to be applied	922	
3rd previous tax year				Credit to be applied	923	

Total (enter at amount e in Part 19) I

Apprenticeship Job Creation

Part 21 – Total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) . . . . 611 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	PF6629	Powerline Technician	31,118	3,112	2,000
				Total current-year credit (enter at line 640 in Part 22)	2,000 A

* Net of any other government or non-government assistance received or to be received.

Part 22 – Current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year				B
Deduct:				
Credit deemed as a remittance of co-op corporations	612			
Credit expired after 20 tax years	615			
Subtotal (line 612 **plus** line 615)			▶	C
ITC at the beginning of the tax year (amount B **minus** amount C)			625	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	630			
ITC from repayment of assistance	635			
Total current-year credit (amount A from Part 21)	640	2,000		
Credit allocated from a partnership	655			
Subtotal (total of lines 630 to 655)		2,000	▶ 2,000	D
Total credit available (line 625 **plus** amount D)			2,000	E
Deduct:				
Credit deducted from Part I tax (enter at amount G in Part 30)	660	2,000		
Credit carried back to the previous year(s) (amount G from Part 23)		a		
Subtotal (line 660 **plus** amount a)		2,000	▶ 2,000	F
ITC closing balance from apprenticeship job creation expenditures (amount E **minus** amount F)			690	

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	931	
2nd previous tax year				Credit to be applied	932	
3rd previous tax year				Credit to be applied	933	
				Total (enter at amount a in Part 22)		G

Child Care Spaces

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation cannot be carrying on a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

	CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.				

Total cost of depreciable property from the current tax year **715** ______

Add:

Specified child care start-up expenditures from the current tax year . . . . **705** ______

Total gross eligible expenditures for child care spaces (line 715 **plus** line 705) . . . . ______ A

Deduct:

Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line A . . . . . . **725** ______

Excess (amount A **minus** line 725) (if negative, enter "0") . . . . ______ B

Add:

Repayments by the corporation of government and non-government assistance . . . . **735** ______

Total eligible expenditures for child care spaces (amount B **plus** line 735) . . . . **745** ______

* CCA: capital cost allowance

Part 25 – Current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of $10,000 per child care space created in a licensed child care facility.

Eligible expenditures (from line 745) . . . . ______ x 25 % = ______ C

Number of child care spaces . . . . **755** ______ x $ 10,000 = ______ D

ITC from child care spaces expenditures (amount C or D, whichever is less) . . . . ______ E

Part 26 – Current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year				F
Deduct:				
Credit deemed as a remittance of co-op corporations	765			
Credit expired after 20 tax years	770			
Subtotal (line 765 **plus** line 770)			▶	G
ITC at the beginning of the tax year (amount F **minus** amount G)			775	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	777			
Total current-year credit (amount E from Part 25)	780			
Credit allocated from a partnership	782			
Subtotal (total of lines 777 to 782)			▶	H
Total credit available (line 775 **plus** amount H)				I
Deduct:				
Credit deducted from Part I tax (enter at amount H in Part 30)	785			
Credit carried back to the previous year(s) (amount K from Part 27)			a	
Subtotal (line 785 **plus** amount a)			▶	J
ITC closing balance from child care spaces expenditures (amount I **minus** amount J)			790	

Part 27 – Request for carryback of credit from child care space expenditures

	Year Month Day			
1st previous tax year	2012-12-31	Credit to be applied	941	
2nd previous tax year	2011-12-31	Credit to be applied	942	
3rd previous tax year	2010-12-31	Credit to be applied	943	
		Total (enter at amount a in Part 26)		K

Recapture – Child Care Spaces

Part 28 – Recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a))	792		
In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:			
The amount that can reasonably be considered to have been included in the original ITC	795		
25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property	797		
Amount from line 795 or line 797, whichever is less			A

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 799 below.

Corporate partner's share of the excess of ITC	799		
Total recapture of child care spaces investment tax credit (total of line 792, amount A, and line 799)			B

Enter amount B at amount B in Part 29.

Summary of Investment Tax Credits

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC (from amount F in Part 17)		A
Recaptured child care spaces ITC (from amount B in Part 28)		B
Total recapture of investment tax credit (amount A **plus** amount B)		C

Enter amount C on line 602 of the T2 return.

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5)		D
ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12)		E
ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19)		F
ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22)	2,000	G
ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26)		H
Total ITC deducted from Part I tax (total of amounts D to H)	2,000	I

Enter amount I at line 652 of the T2 return.

Privacy Act, Personal Information Bank number CRA PPU 047

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
2,000	2,000			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2012-12-31				
2011-12-31				
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				*
2002-12-31				
2001-12-31				
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				
1993-12-31				*
Total				

B+C+D+G **Total ITC utilized** 2,000

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

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SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

Provide only one number per shareholder

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust) 100	Business Number (If a corporation is not registered, enter "NR") 200	Social insurance number 300	Trust number 350	Percentage common shares 400	Percentage preferred shares 500
1	Corporation of the City of Stratford	NR			100.000	100.000
2						
3						
4						
5						
6						
7						
8						
9						
10						

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SCHEDULE 55

PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- All legislative references on this schedule are to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Do not use this area

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

Taxable dividends paid in the tax year **not included** in Schedule 3				
Taxable dividends paid in the tax year **included** in Schedule 3		1,224,843		
Total taxable dividends paid in the tax year	100	1,224,843		
Total eligible dividends paid in the tax year	150			A
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")	160		8,669,327	B
Excessive eligible dividend designation (line 150 **minus** line 160)				C
Deduct:				
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*	180			D
Subtotal (amount C **minus** amount D)				E
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (amount E **multiplied** by 20 %)	190			F

Enter the amount from line 190 on line 710 of the T2 return.

Part 2 – Other corporations

Taxable dividends paid in the tax year **not included** in Schedule 3				
Taxable dividends paid in the tax year **included** in Schedule 3				
Total taxable dividends paid in the tax year	200			
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)				G
Deduct:				
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*	280			H
Subtotal (amount G **minus** amount H)				I
Part III.1 tax on excessive eligible dividend designations – Other corporations (amount I **multiplied** by 20 %)	290			J

Enter the amount from line 290 on line 710 of the T2 return.

* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days **after** the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to **www.cra.gc.ca/eligibledividends**.

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Schedule 500

Ontario Corporation Tax Calculation

Corporation's name	Business number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- This schedule is a worksheet only. You do not have to file it with your *T2 Corporation Income Tax Return*.

Part 1 – Calculation of Ontario basic rate of tax for the year

Number of days in the tax year before July 1, 2011 / Number of days in the tax year	/ 365	x	12.00 %	=	%	A1	
Number of days in the tax year after June 30, 2011 / Number of days in the tax year	365 / 365	x	11.50 %	=	11.50000 %	A2	
Ontario basic rate of tax for the year (rate A1 **plus** A2)					11.50000 ►		11.50000 % A3

Part 2 – Calculation of Ontario basic income tax

Ontario taxable income * . . . . 1,808,507 B

Ontario basic income tax: amount B **multiplied** by Ontario basic rate of tax for the year (rate A3 from Part 1) . . . . 207,978 C

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit in addition to Ontario basic income tax, or has Ontario corporate minimum tax or Ontario special additional tax on life insurance corporations payable, enter amount C on line 270 of Schedule 5, *Tax Calculation Supplementary – Corporations*. Otherwise, enter it on line 760 of the T2 return.

* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

Part 3 – Ontario small business deduction (OSBD)

Complete this part if the corporation claimed the federal small business deduction under subsection 125(1) or would have claimed it if subsection 125(5.1) had not been applicable in the tax year.

Income from active business carried on in Canada (amount from line 400 of the T2 return)	1,858,657	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	1,808,507	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	500,000	3
Enter the least of amounts 1, 2, and 3	500,000	D

Ontario domestic factor: Ontario taxable income * / Taxable income earned in all provinces and territories ** = 1,808,507.00 / 1,808,507 = 1.00000 E

Amount D x factor E	500,000	a
Ontario taxable income (amount B from Part 2)	1,808,507	b

Ontario small business income (lesser of amount a and amount b) 500,000 F

Number of days in the tax year before July 1, 2011 / Number of days in the tax year = ___ / 365 x 7.50 % = % G1

Number of days in the tax year after June 30, 2011 / Number of days in the tax year = 365 / 365 x 7.00 % = 7.00000 % G2

OSBD rate for the year (rate G1 **plus** G2) 7.00000 % G3

Ontario small business deduction: amount F **multiplied** by OSBD rate for the year (rate G3) 35,000 H

Enter amount H on line 402 of Schedule 5.

* Enter amount B from Part 2.

** Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

Part 4 – Ontario adjusted small business income

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Ontario adjusted small business income (lesser of amount D and amount b from Part 3) 500,000 I

Enter amount I on line K in Part 5 of this schedule or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

Part 5 – Calculation of credit union tax reduction

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17		J		
Deduct:				
Ontario adjusted small business income (amount I from Part 4)		K		
Subtotal (amount J **minus** amount K) (if negative, enter "0")		L		
OSBD rate for the year (rate G3 from Part 3)	7.00000 %			
Amount L **multiplied** by the OSBD rate for the year				M
Ontario domestic factor (factor E from Part 3)			1.00000	N
Ontario credit union tax reduction (amount M **multiplied** by factor N)				O

Enter amount O on line 410 of Schedule 5.

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SCHEDULE 546

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario *Business Corporations Act* (BCA) or Ontario *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the *Ontario Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit **www.ServiceOntario.ca** for more information.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

Part 1 – Identification

100 Corporation's name (exactly as shown on the MGS public record)
Festival Hydro Inc.

Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent	**110** Date of incorporation or amalgamation, whichever is the most recent (Year Month Day)	**120** Ontario Corporation No.
Ontario	2001-09-07	1484983

Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)

200 Care of (if applicable)

210 Street number	**220** Street name/Rural route/Lot and Concession number	**230** Suite number
187	Erie Street	

240 Additional address information if applicable (line 220 must be completed first)

250 Municipality (e.g., city, town)	**260** Province/state	**270** Country	**280** Postal/zip code
Stratford	ON	CA	N5A 6T5

Part 3 – Change identifier

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit **www.ServiceOntario.ca**.

300 1 If there have been no changes, enter **1** in this box and then go to "Part 4 – Certification."
If there are changes, enter **2** in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

Part 4 – Certification

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

450 Reece (Last name) **451** Debbie (First name)

454 ______________________ , (Middle name(s))

460 2 Please enter one of the following numbers in this box for the above-named person: **1** for director, **2** for officer, or **3** for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter **1** or **2**.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Complete the applicable parts to report changes in the information recorded on the MGS public record.

Part 5 – Mailing address

500 ☐ Please enter one of the following numbers in this box:
1 - Show no mailing address on the MGS public record.
2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule.
3 - The corporation's complete mailing address is as follows:

510 Care of (if applicable)

520 Street number	**530** Street name/Rural route/Lot and Concession number	**540** Suite number

550 Additional address information if applicable (line 530 must be completed first)

560 Municipality (e.g., city, town)	**570** Province/state	**580** Country	**590** Postal/zip code

Part 6 – Language of preference

600 ☐ Indicate your language of preference by entering **1** for English or **2** for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.

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SCHEDULE 552

ONTARIO APPRENTICESHIP TRAINING TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
Festival Hydro Inc.	89957 1814 RC0001	2013-12-31

- Use this schedule to claim an Ontario apprenticeship training tax credit (ATTC) under section 89 of the *Taxation Act, 2007* (Ontario).
- The ATTC is a refundable tax credit that is equal to a specified percentage (25% to 45%) of the eligible expenditures incurred by a corporation for a qualifying apprenticeship. Before March 27, 2009, the maximum credit for each apprentice is $5,000 per year to a maximum credit of $15,000 over the first 36-month period of the qualifying apprenticeship. After March 26, 2009, the maximum credit for each apprentice is $10,000 per year to a maximum credit of $40,000 over the first 48-month period of the qualifying apprenticeship. The maximum credit amount is prorated for an employment period of an apprentice that straddles March 26, 2009.
- Eligible expenditures are salaries and wages (including taxable benefits) paid to an apprentice in a qualifying apprenticeship or fees paid to an employment agency for the provision of services performed by the apprentice in a qualifying apprenticeship. These expenditures must be:
  - paid on account of employment or services, as applicable, at a permanent establishment of the corporation in Ontario;
  - for services provided by the apprentice during the first 36 months of the apprenticeship program, if incurred before March 27, 2009; and
  - for services provided by the apprentice during the first 48 months of the apprenticeship program, if incurred after March 26, 2009.
- An expenditure is not eligible for an ATTC if:
  - the same expenditure was used, or will be used, to claim a co-operative education tax credit; or
  - it is more than an amount that would be paid to an arm's length apprentice.
- An apprenticeship must meet the following conditions to be a qualifying apprenticeship:
  - the apprenticeship is in a qualifying skilled trade approved by the Ministry of Training, Colleges and Universities (Ontario); and
  - the corporation and the apprentice must be participating in an apprenticeship program in which the training agreement has been registered under the *Ontario College of Trades and Apprenticeship Act, 2009 or* the *Apprenticeship and Certification Act, 1998* or in which the contract of apprenticeship has been registered under the *Trades Qualification and Apprenticeship Act*.
- Make sure you keep a copy of the training agreement or contract of apprenticeship to support your claim. Do not submit the training agreement or contract of apprenticeship with your *T2 Corporation Income Tax Return*.
- File this schedule with your *T2 Corporation Income Tax Return*.

Part 1 – Corporate information (please print)

110 Name of person to contact for more information	120 Telephone number including area code
Kelly McCann	(519) 271-4700

Is the claim filed for an ATTC earned through a partnership? * . . . . **150** 1 Yes [ ] 2 No [X]

If **yes** to the question at line 150, what is the name of the partnership? . . . . **160** ____________

Enter the percentage of the partnership's ATTC allocated to the corporation . . . . **170** ______ %

* When a corporate member of a partnership is claiming an amount for eligible expenditures incurred by a partnership, complete a Schedule 552 for the partnership as if the partnership were a corporation. Each corporate partner, other than a limited partner, should file a separate Schedule 552 to claim the partner's share of the partnership's ATTC. The total of the partners' allocated amounts can never exceed the amount of the partnership's ATTC.

Part 2 – Eligibility

1. Did the corporation have a permanent establishment in Ontario in the tax year? . . . . **200** 1 Yes [X] 2 No [ ]
2. Was the corporation exempt from tax under Part III of the *Taxation Act, 2007* (Ontario)? . . . . **210** 1 Yes [ ] 2 No [X]

If you answered **no** to question 1 or **yes** to question 2, then you are **not eligible** for the ATTC.

Part 3 – Specified percentage

Corporation's salaries and wages paid in the previous tax year * **300** 1,000,000

For eligible expenditures incurred before March 27, 2009:
- If line 300 is $400,000 or less, enter 30% on line 310.
- If line 300 is $600,000 or more, enter 25% on line 310.
- If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 310 using the following formula:

$$\text{Specified percentage} = 30\,\% - \left[5\,\% \times \left(\frac{\text{amount on line 300} \;\textbf{minus}\; 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . . **310** 25.000 %

For eligible expenditures incurred after March 26, 2009:
- If line 300 is $400,000 or less, enter 45% on line 312.
- If line 300 is $600,000 or more, enter 35% on line 312.
- If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 312 using the following formula:

$$\text{Specified percentage} = 45\,\% - \left[10\,\% \times \left(\frac{\text{amount on line 300} \;\textbf{minus}\; 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . . **312** 35.000 %

* If this is the first tax year of an amalgamated corporation and subsection 89(6) of the *Taxation Act, 2007* (Ontario) applies, enter salaries and wages paid in the previous tax year by the predecessor corporations.

Part 4 – Calculation of the Ontario apprenticeship training tax credit

Complete a **separate entry** for each apprentice that is in a qualifying apprenticeship with the corporation. When claiming an ATTC for repayment of government assistance, complete a **separate entry** for each repayment, and complete columns A to G and M and N with the details for the employment period in the previous tax year in which the government assistance was received.

	A Trade code **400**	B Apprenticeship program/ trade name **405**	C Name of apprentice **410**
1.	434a	Powerline Technician	Matt Lindner

	D Original contract or training agreement number **420**	E Original registration date of apprenticeship contract or training agreement (see note 1 below) **425**	F Start date of employment as an apprentice in the tax year (see note 2 below) **430**	G End date of employment as an apprentice in the tax year (see note 3 below) **435**
1.	PF6629	2012-06-13	2013-01-01	2013-12-31

Note 1: Enter the original registration date of the apprenticeship contract or training agreement in all cases, even when multiple employers employed the apprentice.

Note 2: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the first day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the start date of employment as an apprentice for the tax year in which the government assistance was received.

Note 3: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the last day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the end date of employment as an apprentice for the tax year in which the government assistance was received.

Part 4 – Calculation of the Ontario apprenticeship training tax credit (continued)

	H1 Number of days employed as an apprentice in the tax year before March 27, 2009 (see note 1 below) 441	H2 Number of days employed as an apprentice in the tax year after March 26, 2009 (see note 1 below) 442	H3 Number of days employed as an apprentice in the tax year (column H1 **plus** column H2) 440	I Maximum credit amount for the tax year (see note 2 below) 445
1.		365	365	10,000

	J1 Eligible expenditures before March 27, 2009 (see note 3 below) 451	J2 Eligible expenditures after March 26, 2009 (see note 3 below) 452	J3 Eligible expenditures for the tax year (column J1 **plus** column J2) 450	K Eligible expenditures **multiplied** by specified percentage (see note 4 below) 460
1.		69,682	69,682	24,389

	L ATTC on eligible expenditures (lesser of columns I and K) 470	M ATTC on repayment of government assistance (see note 5 below) 480	N ATTC for each apprentice (column L or column M, whichever applies) 490
1.	10,000		10,000

Ontario apprenticeship training tax credit (total of amounts in column N) 500 10,000 **O**

or, if the corporation answered **yes** at line 150 in Part 1, determine the partner's share of amount O:

Amount O ______ x percentage on line 170 in Part 1 ______ % = ... ______ **P**

Enter amount O or P, whichever applies, on line 454 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you are filing more than one Schedule 552, add the amounts from line O or P, whichever applies, on all the schedules, and enter the total amount on line 454 of Schedule 5.

Note 1: When there are multiple employment periods as an apprentice in the tax year with the corporation, do not include days in which the individual was not employed as an apprentice.
For H1: The days employed as an apprentice must be within 36 months of the registration date provided in column E.
For H2: The days employed as an apprentice must be within 48 months of the registration date provided in column E.

Note 2: Maximum credit = ($5,000 x H1/365*) + ($10,000 x H2/365*)
* 366 days, if the tax year includes February 29

Note 3: Reduce eligible expenditures by all government assistance, as defined under subsection 89(19) of the *Taxation Act, 2007* (Ontario), that the corporation has received, is entitled to receive, or may reasonably expect to receive, in respect of the eligible expenditures, on or before the filing due date of the *T2 Corporation Income Tax Return* for the tax year.
For J1: Eligible expenditures before March 27, 2009, must be for services provided by the apprentice during the first 36 months of the apprenticeship program.
For J2: Eligible expenditures after March 26, 2009, must be for services provided by the apprentice during the first 48 months of the apprenticeship program.

Note 4: Calculate the amount in column K as follows:
Column K = (J1 x line 310) + (J2 x line 312)

Note 5: Include the amount of government assistance repaid in the tax year multiplied by the specified percentage for the tax year in which the government assistance was received, to the extent that the government assistance reduced the ATTC in that tax year.
Complete a **separate entry** for each repayment of government assistance.

Tax Credits

Festival claims the apprentice tax credit in its PILS calculation. Festival had one new apprentice eligible for the credit both federally and provincially in 2013 and is estimating the maximum credit available for this apprentice in 2013 and 2014 federally, and in 2013, 2014, and 2015 provincially (the federal program is a 24month program with a maximum credit amount of $2K/year and the provincial program is a 48 month program with a maximum credit amount of $10K/year). These credits are required to be added back to taxable income in the year after they are claimed – and these add backs have been included in Festival's PILS calculations for the historical, bridge and test years. Note that in the 2013 audited figures, the 2013 credit had been accrued into income and therefore was deducted on s(1) as well in order to ensure it was not taxed twice. This accrual was not included in the 2014 or 2015 projections and therefore the deduction was not taken in those years in the PILS model prepared.

Other Additions/Deductions

There were no material other additions/deductions (i.e greater than $59K) included in the historical, bridge or test year PILS calculations as per the PILS model included in E4/T5/S1/A1.

Non-recoverable and Disallowed Expenses

Festival has the following operating costs that have not been included in the regulatory tax calculation:

- Charitable donations
- Generation operating costs relating to our three solar panels

Integrity Checks

Festival confirms that it has reviewed the filing requirements section 2.7.5.2 integrity checks and these have been achieved in this application. Festival has considered the following:

- The depreciation and amortization added back in the application's PILs model agrees with the numbers disclosed in the rate base section of the application;
- The capital additions and deductions in the UCC/ CCA Schedule 8 agree with the rate base section for historic, bridge and test years;
- Schedule 8 of the most recent federal T2 tax return filed (2013) with the application has a closing December 31st historic year UCC that agrees with the opening 2014 bridge year UCC. The ending UCC of the 2014 bridge year s(8) agrees with the opening test year UCC at January 1st;
- The CCA deductions in the application's PILs tax model for historic, bridge and test years agree with the numbers in the UCC schedules for the same years filed in the application;
- Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application (not applicable for Festival);
- CCA is maximized even if there are tax loss carry-forwards (not applicable for Festival)
- A statement is included in the application as to when the losses, if any, will be fully utilized (not applicable for Festival);
- Accounting OPEB and pension amounts added back on Schedule 1 reconciliation of accounting income to net income for tax purposes agree with the OM&A analysis for compensation; and the amounts deducted are reasonable when compared with the notes in the audited financial statements and the actuarial valuations; and

- The income tax rate used to calculate the tax expense is consistent with the utility's actual tax facts and evidence filed in the proceeding.

Taxes other than PILs

Festival has estimated property taxes for the 2014 Bridge year and the 2015 test year at 108K and $188K respectively. The increase in 2015 is the result of the transformer station property tax costs moving into the P&L from the variance account upon disposition of the variance account.

Festival Hydro

File Number: EB-2014-0073

Date Filed: May 29, 2014

Exhibit 4

Tab 6 of 6

Conservation and Demand Management Costs

Conservation and Demand Management Costs

Festival currently only offers the OPA – contracted province wide CDM programs. All CDM activities are paid through the OPA – contracted province wide CDM programs funding. Therefore, no CDM costs are included in Festival's 2015 COS application.

Lost Revenue Adjustment Mechanism

On April 26, 2012, the Board issued the *Guidelines for Electricity Distributor Conservation and Demand Management* (EB-2012-003). In the Guidelines, the Board adopted a mechanism to capture the differences arising between the results of actual, verified impacts of authorized CDM activities (undertaken by LDCs between 2011 and 2014) compared to the level of CDM programs activities included in the distributors load forecast (i.e. level embedded in rates). Festival has recorded this lost revenue adjustment mechanism variance in Board approved account # 1568, LRAM Variance account which is included in E9 of this application.

LRAM for pre-2011 CDM Activities

As noted under E4/T6/S2, LRAM claims arising from CDM activities are included in E9 of this application.