St. Thomas energy inc.
We're Your Local Power Distributor

a division of **Ascent**

St. Thomas Energy Inc.
135 Edward St.
St. Thomas, ON
N5P 4A8

September 9, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: St Thomas Energy Inc. EB-2014-0113
2015 Cost of Service Electricity Distribution Rate Application
Responses to Interrogatories

Dear Ms. Walli:

In accordance with PO1, please find accompanying this letter, STEI's responses to interrogatories submitted by Board staff and intervenors. An electronic copy of these responses has been filed via the Board's Regulatory Electronic Submission System.

Please contact the undersigned if you have any questions with regard to STEI's submission.

Yours Truly,
St. Thomas Energy Inc.

Robert Kent, CPA, CGA
Director, Finance and Regulatory Affairs
rkent@sttenergy.com
(519) 631- 5550 x 5258

St. Thomas Energy Inc.

2015 Cost of Service

Response to Staff Interrogatories

EB-2014-0113

Rates Effective: January 1, 2015

Date Filed: September 9, 2014

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135 Edward St.

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File Number: EB-2014-0113

Date Filed: September 9, 2014

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Exhibit 1

1-Staff-1

Ref: Ex. 1/T. 5/Sch. 3/Att. 2, 2012 Audited Financial Statements

Per note 17 of the financial statements, it appears that STEI has assumed net liabilities of $1,149,191 from Ascent Energy Services Inc.

a) Please explain why STEI chose to restructure to assume a net liability from Ascent Energy Services Inc.
b) Please explain how STEI decided which assets and liabilities to assume from Ascent Energy Services Inc.
c) Please explain how the restructuring is in the best interest of STEI's rate payers.
d) In note 17:
    i. The net liabilities are offset against the related party receivable. Please explain whether this was a receivable to STEI or Ascent Energy Services. If it was a receivable to STEI, please explain why the net liabilities are reduced by a receivable to STEI.
    ii. Please clarify what the line "excess of fair market value of equipment transferred over net book value of $(586,061)" means.

Response

Introduction

In order to properly respond to each part of the question above, STEI feels it is prudent to review the transaction identified in Note 17. STEI did not assume the net liability because it was paid a fair value amount to take the net liability. Upon reorganization on January 1, 2012, financial consideration was provided to St. Thomas Energy Inc. ("STEI") for the net liabilities assumed. In other words, Ascent Energy Services Inc. ("AESI") paid STEI to assume the liabilities at fair market value. That way, STEI was effectively "kept whole" on reorganization.

Specifically,

Book Value of Net Liabilities		$1,149,191
Less:	Fair Market Value of Assets	
	over Net Book Value	($586,061)
	AESI Payment*	**$563,130**

* At the time of the transaction in early January, STEI owed AESI $2,079,203 (as per note 15 for the December 31, 2011 balance). Since the amount payable to STEI for the transaction was less than amount owed by STEI, the intercompany amount was reduced. This is why AESI payment is referred in note 17 as "Reductions in Related Party Receivable".

The Fair Market Value of Assets over the Book Market Value was derived from:

Rolling Stock	$315,014
Equipment	$271,047
	$586,061

The fair market value is supported by third party valuations less net book value for Property Plant and Equipment of $1,121,485.

In response to each part question:

a) As indicated, STEI did not assume a net liability but was held "neutral" on a fair market value basis after the completion of the transaction. The fair market value increment only related to the Rolling Stock and Equipment that was transferred. In respect to the remaining items, the value for book was equivalent to the value for fair market value purposes.

All items transferred were required in STEI to effectively operate as a stand-alone electrical distribution business.

b) Almost all of the assets and staff of AESI were located in the STEI building before the reorganization. As part of the reorganization, staff, inventory, equipment and rolling stock were identified that were not part of STEI were transferred out of the STEI building.

The process for making the determination was done based on identifying the parts of the operations of AESI that were not part of the STEI business. Through the review, three staff people were not transferred to STEI. In respect to the assets, three vehicles were not transferred to STEI (which aligned with the three staff). In addition, assets that were 100% unrelated to the STEI business (such as the water heater rental) were not transferred

c) <u>STEI as a Virtual Utility</u>

When St. Thomas Energy Inc. ("STEI") was originally corporatized (i.e. converted from a municipal electric utility), the assets transferred into STEI were all distribution assets, land, buildings and all directly related working capital (such as customer accounts, deposits, unbilled revenue, power payable, regulatory accounts unbilled revenue and related prepaid expenses). The remaining assets, such as rolling stock, office equipment and staff were transferred to St. Thomas Energy Services Inc. ("STESI").

STEI operated as a virtual utility, purchasing management services and capital from STESI pursuant to a master services agreement (the "MSA"). Under the MSA, STESI charged STEI based on a fixed fee per customer for services covered by the MSA. The fee did not increase by inflation from year-to-year, and had a built-in efficiency factor. Therefore, the fee under the MSA was reduced each year during the operation of the MSA. STEI estimated in its last cost of service proceeding (EB-2010-0141) that it enjoyed a savings in 2011 of approximately $1,004,000 (approx. $644,000 from inflation and $360,000 based on the MSA efficiency factor) relative to the scenario of if it had been a stand-alone distributor. This savings was, in effect, a subsidy provided by STESI to STEI and, while beneficial to STEI, was financially unsustainable for STESI. STESI experienced a loss in fiscal 2011 which was due to other profits generated by STESI not being greater than the losses sustained as a result of the MSA between STESI and STEI.

This unsustainable financial arrangement, as well as the following circumstances, caused STEI to consider switching from a virtual utility to a stand-alone utility:

<u>i. Difficulty in defending transfer pricing costs:</u>

Under STEI's virtual utility model, transfer pricing was complicated and created a great deal of confusion in STEI's last cost of service proceeding. This was apparent from the discussions in the June 1, 2011 technical conference. In fact, as part of settlement agreement in STEI's last cost of service proceeding, STEI agreed that it would "develop and implement a more formalized and transparent procedure for its affiliate transfer pricing as soon as practical, but no later than the filing of its next cost of service rate application." Clearly, STEI's transfer pricing was a cause of consternation for Board staff and the intervenors. STEI wanted to avoid such confusion in its next cost of service proceeding.

ii. Affiliate Relationships Code ("ARC") compliance:

STEI had been notified in a March 17, 2006 letter from the OEB's Chief Compliance Officer that STEI was not in compliance with ARC in regard to: a) distributor management and control; b) physical separation; and c) transfer pricing. STEI had responded to this letter in which it outlined its case to the Board in an attempt to review the arrangement and to seek approval for the virtual utility structure established. No further response was received and the issue was left unresolved. As a result, while STEI had tried to argue that the structure was in the best interest of the rate payer, nothing was definitively resolved going forward. Restructuring to a stand-alone utility resolved the outstanding ARC issues.

iii. 2011 Cost of Service Settlement:

During the last cost of service application, STEI experienced difficulty demonstrating the case that rates paid to the affiliate company, STESI, were fair. During the technical conference, STEI communicated that STESI was expecting a loss for 2011 and the loss was related to insufficient compensation associated with the services provided to STEI.

In addition, STEI was requested to strengthen or modify the intercompany pricing strategy during the period prior to the 2015 Cost of Service Application. The pricing would need to be well documented and supportable during the review.

Upon reviewing the intercompany process and the potential evidence requirements for the 2015 application, STEI believed that it would be much more economical to undergo the reorganization rather than proceed with the potential work of reviewing the process and building the evidence.

STEI also did not want to make the investment in time and money to modify the intercompany process, build up the evidence, and then, in the end, not receive sufficient compensation in rates during the application to offset the costs.

Given all of these conditions, it was determined during the latter part of 2011 that STESI should "unwind" the shared service concept and to move STEI from a virtual to a stand-alone utility with a dedicated staff. It was believe that this would result in the enhanced transparency for the 2015 cost of service application, by effectively reducing the services subject to transfer pricing to a far lower level then in the past.

To support the remaining shared corporate and governance services, STEI engaged PriceWaterhouseCoopers ("PWC") to prepare a Cost Driver Study to analyze the transfer pricing between STEI (regulated) and its affiliates. PWC's study is at E4/T1/S5 attachment 1

<u>Benefits to Rate Payer</u>

STEI believe that the restructuring has benefited the rate payer by effectively reducing the overall risk of losing a dedicated service provider. As well, the staff within STEI are motivated to enhance the performance for STEI and not the service company.

STEI believes that the restructuring also helps to enhance the four areas of the Boards Balanced Score Card:

i. Customer Focus:

STEI has made a focused effort to engage its customers in an effort to improve its services to align with customer expectations. STEI has been using a 3rd party customer engagement survey on a bi-annual basis. STEI developed an in-house survey and has launched a newer web portal product called "Customer Connect" which combined two web portal products into one allowing customers to easily access all information from one program.

As identified by Board staff, STEI had not historically achieved its capital distribution budget, however, since restructuring for the years 2012 and 2013 and the 2014 forecast is that STEI has and will met its planned capital distribution expenditures and in 2013 hired an additional lineman to ensure that the activities in STEI's DSP will be completed.

STEI recently hired a Conversation Officer, funded by the OPA, in an effort to not only achieve the OPA conservation targets but to have an in-house resource that STEI customers can contact and utilize in an effort to manage their electric utility costs.

ii. Operational Effectiveness:

STEI has been improving its operating and maintenance programs and enhancing its asset management process through the use of a asset condition assessment and asset management plan provided by a 3rd party consultant. The findings of these reports are important planning tools in the development of STEI's long-term plan in establishing STEI's distribution capital and maintenance requirements. STEI is implementing a geographical information system ("GIS").STEI is also implementing new financial sub-systems such as job costing and work order to interface with the GIS system and eventually the Customer Information System ("CIS"). This will enable STEI to better manage the distribution assets and customer responsiveness through new program initiatives such as an improved outage identification process and customer outage communication.

As part of STEI's philosophy of continuous improvement and increased operational effectiveness, STEI reviewed its operating and maintenance practices, specifically substation maintenance, which resulted in a new maintenance program with half the stations being scheduled for maintenance on an annual rotating basis, STEI also, implemented the Paymentus Program, a user pay model for credit card payments and brought bank deposit deliveries in-house resulting in customer service savings.

Board staff has on a number of occasions informally reminded STEI management of its history of late filing with regard to various regulatory reporting requirements. STEI submits that there has been a noticeable improvement in this area since the restructuring.

From a customer cost perspective STEI submits that its customers have not been harmed from an OM&A per customer basis, following are two tables to support this.

OM&A per Customer

	3 Yr Average	2008	2009	2010
Mid-Size Southern Medium-High Undergrounding				
Wasaga Distribution Inc.	**171**	162	169	181
Chatham-Kent Hydro Inc.	**184**	177	173	202
Peterborough Distribution Incorporated	**191**	**204**	**187**	**182**
Essex Powerlines Corporation	**192**	197	184	194
Festival Hydro Inc.	**192**	186	187	204
St. Thomas Energy Inc.	**198**	**192**	**200**	**203**
E.L.K. Energy Inc.	**204**	200	225	186
Kingston Hydro Corporation	**204**	193	197	223
Westario Power Inc.	**212**	232	210	195
Welland Hydro-Electric System Corp.	**216**	209	219	221
Woodstock Hydro Services Inc.	**227**	223	224	235
Niagara Peninsula Energy Inc.	**235**	222	257	225
COLLUS Power Corp.	**257**	250	263	257
Bluewater Power Distribution Corporation	**274**	251	285	287
Erie Thames Powerlines Corporation	**319**	338	309	309
Group Average	218			

As provided in the above table, prior to restructuring STEI had the 6th lowest OM&A per customer for the years 2008 to 2010.

The table on the following pages provides the 2011 and 2013 OM&A per customer. In 2013 STEI, post restructuring has the 6th lowest OM&A costs per customer within its peer group per the OEB yearbook.

OM&A per Customer per OEB Year Book Aug 14, 2014

OM&A Per Customer Mid-Size Southern Medium-High Undergrounding	2013 Actual
E.L.K. Energy Inc.	187.66
Wasaga Distribution Inc.	212.83
Essex Powerlines Corporation	212.94
Chatham-Kent Hydro Inc. (Entegrus)	237.24
Festival Hydro Inc.	250.11
St. Thomas Energy Inc.	**253.15**
Westario Power Inc.	253.28
Kingston Hydro Corporation	258.89
COLLUS Power Corp.	272.87
Niagara Peninsula Energy Inc.	276.34
Peterborough Distribution Incorporated	276.62
Woodstock Hydro Services Inc.	276.80
Welland Hydro-Electric System Corp.	277.73
Erie Thames Powerlines Corporation	311.81
Bluewater Power Distribution Corporation	348.52
Group Average	**260.45**

OM&A per Customer per OEB Year Book

OM&A Per Customer Mid-Size Southern Medium-High Undergrounding	2011 Actual
Wasaga Distribution Inc.	180.22
Essex Powerlines Corporation	197.44
Peterborough Distribution Incorporated	198.57
Festival Hydro Inc.	199.51
Westario Power Inc.	206.52
Chatham-Kent Hydro Inc. (Entegrus)	208.95
E.L.K. Energy Inc.	214.56
Kingston Hydro Corporation	223.95
St. Thomas Energy Inc.	**224.56**
Welland Hydro-Electric System Corp.	242.45
Woodstock Hydro Services Inc.	250.78
COLLUS Power Corp.	259.27
Niagara Peninsula Energy Inc.	274.98
Bluewater Power Distribution Corporation	309.28
Erie Thames Powerlines Corporation	315.45
Group Average	**233.77**

iii. Public Policy Responsiveness:

As identified in the COS application, STEI's Board of Directors and its Management recognizes the importance of adhering to and complying with all public and regulatory policies such as.

- Smart Meter Initiative, completed under budget in 2011, received a smart meter prudence review EB-2012-0348.

- Achieved OPA GWh reduction 2010 to 2014, ramping up resources for the 2015 to 2020 program

- support of the renewable energy generation program has16 successfully connected 33 microFIT projects totalling 278.2 kW of capacity, and17 2 FIT projects totalling 600 kW of capacity.

- Measurement Canada and Electrical Safety Authority compliance, as well as compliance with the Municipal Freedom of Information and Protection of Privacy Act *iv. Financial Performance:*

STEI's goal is to achieve sustainable shareholder returns while providing sustainable operating efficiencies, optimizing service levels and cost reductions to mitigate customer rate impacts.

STEI has historically underperformed on an ROE basis as compared to the deemed ROE, other than 2013 which is an anomaly. As provided in the OM&A per customer tables, STEI has been able to manage operating costs but historically unable to complete its capital program.

The following table provides a comparison of STEI's 2012 distribution revenue on a per customer basis, excluding connections. 2012 data was chooses as it reflects the first full year after STEI's last Board Approved 2011 COS Rate Application

DISTRIBUTION REVENUE PER CUSTOMER
(Excluding distribution revenue per connection)

2012	Customers	Rev	per cust
Wasaga Distribution Inc.	12,538	3,432,031	273.73
E.L.K. Energy Inc.	11,371	3,879,557	341.18
COLLUS Power Corp.	15,716	5,637,298	358.70
St. Thomas Energy Inc.	**16,563**	**6,207,433**	**374.78**
Westario Power Inc.	22,593	8,482,435	375.45
Essex Powerlines Corporation	28,301	10,830,696	382.70
Erie Thames Powerlines Corporation	18,447	7,079,391	383.77
Kingston Hydro Corporation	26,775	11,059,892	413.07
Chatham-Kent Hydro Inc. - Entegrus	40,232	17,307,659	430.20
Welland Hydro-Electric System Corp.	22,053	9,658,730	437.98
Peterborough Distribution Incorporated	35,436	15,651,349	441.68
Woodstock Hydro Services Inc.	15,356	7,031,664	457.91
Bluewater Power Distribution Corporation	35,820	17,516,672	489.02
Niagara Peninsula Energy Inc.	50,896	27,461,600	539.56
Festival Hydro Inc.	20,057	10,889,740	542.94
Average			**416.18**
Median			**413.07**
STEI 2015 COS	**17,001**	**7,238,353**	**425.76**

STEI believes that by aligning its COS application with a transparent operating utility that recognizes the continued efforts of achieving the four stated goals will provide STEI with the financial and physical resources to achieve the four Balance Score Card outcomes, achieve it long-term DSP and provide reasonable returns to its shareholder. All of which is in the best interest of the customer.

d) Per note 17

a. As identified above, at December 31, 2011 STEI owed $2,079,203 (as per note 15) to AESI. The reorganization occurred during the first business day following December 31, 2011 and, as such, the amount was deducted from the $2,079,203 owed to AESI.

b. As noted above, the $586,061 represents the difference between fair market value of the rolling stock over AESI's Net Book Value for assets transferred to STEI. The reason for the use of the fair market value was:

i. To demonstrate that transaction was done at FMV which was believed to be fairest approach in this case.

ii. If STEI were forced to purchase its own equipment and rolling stock, it would have likely paid more because it would have had to pay replacement value to purchase new, or would have taken a very long time to amass an equivalent fleet which would have resulted in service interruption. Overall, it is a reasonable cost for the rate payers to assume.

iii. Additionally, the transaction aligned with the PIL's impact of the transaction. The UCC pools for PIL's purposes reflect the higher market value

1-Staff-2

Ref: Ex. 1/Tab 5/Sch. 17/Att. 2.1

In Table 1-17, STEI indicates there's a $459,496 difference between its audited financial statements and the OEB trial balance. STEI used net book value of the assets in its audited financial statements but used the fair market value, which was a higher PP&E amount for regulatory purposes.

a) Please provide a table listing the assets transferred from the affiliate company, comparing the net book value as recorded in STEI's audited financial statements to the fair market value as included in the PP&E of the rate application.
b) Please explain why STEI has recorded the transferred assets from its affiliate company at fair market value in the rate application.
c) To Board Staff's knowledge, past Board practice (including Decision with Reasons RP-1999-0034 page 24 and Report of the Board Transition to International Financial Reporting Standards EB-20008-0408 page 14) requires rate base assets to be valued at net book value. Please provide any references indicating that the regulatory treatment of PP&E transferred in from affiliates should be recorded at fair value**.**

Response:

In response to each part question:

a) Please see Attachment1 and Attachment2 to this response for the summary tables. The fair market value increment was on the rolling stock and tools found on the trucks. The fair market value assessment of the rolling stock was completed by:

    RBS Fleet Services Inc.
    RR#3
    Port Rowan, ON, N0E 1M0
    (R. B. Sipley, President)

The tools fair market value assessment was completed by:

Landace Hydraulics
4376 Elgin Rd Rr 1
Mossley, ON, N0L 1V0
(Loydd Lawrence, Proprietor)

Summary of Fair Market Value increment after reorganization:

Tools (per Exhibit 1)	$ 271,047
Rolling Stock (per Exhibit 2)	$315,014
	$586,061

All numbers were audited and there were no issues identified.

As noted on Note 6 in the 2013 audited financial statements, the net "fair market value" remaining in STEI is $366,464 as of December 31, 2013.

b) STEI believed that using the fair market value for the rolling stock and tools was the fairest approach for the ratepayers, STEI, AESI and the shareholder. If the transfer was done at book value, then the transaction would not be fair for shareholder or AESI because AESI and the shareholder would be subsidizing the ratepayers of STEI. Alternatively, what would have been in the best interest of the shareholder, and not the rate payer, would have been for STEI to purchase its own rolling stock and equipment on the open market and AESI would sell the rolling stock and equipment at fair market value to a third party. This option would have benefited the ultimate shareholder the most because:

- The fair market value would have been realized by AESI thereby generating a gain on disposition. These earnings would be realized by the shareholder
- The equipment and rolling stock would be purchased by STEI either in new or used condition. Quite likely, because of availability, STEI would have paid more for the rolling stock and tools. Since STEI purchases would be at higher cost, this would benefit the shareholder of STEI because there would be strong probability of a higher rate base (assuming approved) thereby generating higher

revenues from the rate payers.

- If STEI were to have purchased all rolling stock and equipment from a third party, STEI would have avoided having to defend the decision ultimately made by STEI and AESI

Overall, STEI believe that the approach of using the fair market value for the rolling stock and tools was the most reasonable for all parties involved.

c) Overall STEI believes that the approach used was the most objective and the fairest to all parties. Further, the transaction was reviewed by STEI's auditors and no issues were identified.

For income tax purposes, the transaction was made at Fair Market value which was the most supportable approach as outlined by the CRA.

Finally, if AESI had made the transition to IFRS, it would not be eligible to select the Net Book Value for the assets on transition to IFRS from CGAAP. Instead, a fair market value election made by AESI to establish the opening value on IFRS transition. If this were done prior to the reorganization, the fair market value would have been equal to AESI's Net book value.

STEI does not believe that the references provided in the interrogatory are applicable to this scenario. Please refer to paragraphs 2.3.6.3 and 2.3.6.4 of the Affiliate Relationships Code.

ST. THOMAS ENERGY SERVICES INC.
UTILITY TRUCK HAND TOOL INVENTORY SUMMARY

MAY, 2012

Truck #	Page #	Tool Value Per Page	Total Value Per Truck
STORAGE ROOM TOOLS	1	$44,682.00	
	2	$34,953.00	$79,635.00
1H10 RBD	1	$7,791.00	
	2	$10,590.95	
	3	$12,935.00	
	4	$11,098.50	
	5	$4,442.00	$46,858.05
2H02 S/B	1	3,931.00	
	2	$7,952.00	
	3	$10,406.41	
	4	$3,203.00	$25,492.41
3H07 D/B	1	$6,208.18	
	2	$2,573.90	
	3	$12,454.40	
	4	$11,164.00	
	5	$7,143.38	$39,543.86
4H09 Van ([illegible])	1	$9,454.00	
	2	$1,046.20	
	3	$2,774.00	
	4	$11,304.74	
	5	$918.70	$25,497.64
5H97 S/B	1	$15,855.50	
	2	$7,115.50	
	3	$4,345.90	
	4	$5,578.63	
	5	$9,096.75	
	6	$3,931.00	$45,923.30
7H06 Van ([illegible])	1	$816.40	
	2	$9,738.52	
	3	$546.50	
	4	$242.00	$11,343.42
19H92 RBD	1	$13,961.00	
	2	$4,503.00	
	3	$5,822.60	
	4	$8,967.00	$33,594.28
		Total Tool Value	$307,887.96

1. 23031

0• *
307,887•96 +
25,497•64 −
11,343•42 −
271,045•90 *

Transfer from
AESI to STEI
Oct 31, 2012

LANDACE Hydraulics
SALES AND SERVICE

	RBS FLEET SERVICES INC.			
	ST THOMAS ENERGY			
	EQUIPMENT APPRAISAL SUMMARY SHEET			
	04-Jan-12			
			AESI	Gain
VEH #	DESCRIPTION	APPRAISED	NBV	(Loss) on
		VALUE	31-Dec-11	Appraisal
1H10	2011 FREIGHTLINER/C4047 DERRICK	$ 250,000.00	$208,878.00	$ 41,122.00
2H02	2002 FL80/POSI PLUS 42' AERIAL	$ 38,000.00	$ -	$ 38,000.00
3H07	2007 STERLING/TELELECT XM55	$ 125,000.00	$ 85,264.49	$ 39,735.51
5H97	1997 FL80/A50 AMADOR AERIAL	$ 26,000.00	$ -	$ 26,000.00
8H07	2007 FORD F150 XLT	$ 19,500.00	$ 12,272.01	$ 7,227.99
9H03	2003 FORD RANGER	$ 7,500.00	$ -	$ 7,500.00
13H04	2004 F550/WILTSIE DUMP	$ 28,000.00	$ -	$ 28,000.00
14H11	2011 GMC HALF TON	$ 25,000.00	$ 17,048.28	$ 7,951.72
15H11	2011 GMC 3/4 TON	$ 32,000.00	$ 25,606.40	$ 6,393.60
19H92	1992 GMC/D1090 ALTEC DD	$ 21,000.00	$ -	$ 21,000.00
21H87	1987 DPT-30B TENSION TRAILER	$ 30,000.00	$ -	$ 30,000.00
21H88	1988 DPT-30B TENSION TRAILER	$ 25,000.00	$ -	$ 25,000.00
28H11	2011 GMC 3/4 TON	$ 32,000.00	$ 25,606.40	$ 6,393.60
PT1	2001 UTILIQUIP POLE TRAILER	$ 8,000.00	$ -	$ 8,000.00
PT2	1980 YARMOUTH POLE TRAILER	$ 2,500.00	$ -	$ 2,500.00
9556	1967 KING 3CTH108 TRAILER	$ 4,000.00	$ -	$ 4,000.00
9558	1995 HITCHMAN MATERIAL TRLR	$ 2,500.00	$ -	$ 2,500.00
	Transportation Equipment Subtotal	$ 682,500.00	$374,675.58	$301,324.42
9523	1987 HYSTER FORK LIFT	$ 9,800.00	$ -	$ 9,800.00
9550	1992 VERMEER CHIPPER	$ 11,000.00	$ -	$ 11,000.00
9559	ABB MOBILE SUB STATION	$ 200,000.00	$207,110.60	$ (7,110.60)
	Total	$ 903,300.00	$581,786.18	$315,013.82

1-Staff-3

Ref: Ex. 1/T. 5/Sch. 17/Att. 2.1

Ref: Filing Requirements Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

STEI has changed its capitalization and depreciation policies effective January 1, 2012. It will adopt IFRS in 2015. As per the chapter 2, page 7 of the filing requirements, the applicant must identify all material changes in the adoption of IFRS that impact its application. Please confirm that no material changes were identified upon the adoption of IFRS that impact the application. If material changes were identified, please explain the changes and the impact to the application.

Response:

STEI confirms that new CGAAP policies (regarding capitalization and depreciation) have been in place as at January 1, 2012 and that as a result, there are no material changes upon the adoption of IFRS that will impact the application.

1-Staff-4

Ref: Ex 1/T6/S2 - Customer Engagement

Did STEI conduct any public events (such as a town hall meetings) where it solicited input from its customers in relation to the DSP or the COS application as a whole? If it did, please provide a summary of the comments that were received and explain how customer input was incorporated in the DSP.

Response:

STEI did not specifically solicit input from its customers in relation to the DSP or COS application as a whole. STEI's DSP is a continuation of the capital plan submitted in its 2011 COS application EB-2010-0141.

The Asset Management Plan provided a 5 year plan to 2015 as well as a 25 year capital replacement plan.

STEI generally engages it customers through its website, mail inserts, home shows and third party questionnaires

Tab 3 of 8

Exhibit 2

2-Staff-5

Ref: Ex. 2/T. 1/Sch. 1, pages 17-21, Appendix 2-BA

Ref: Ex. 2/T. 1/Sch. 6, page 4

Ref: Ex. 1/T. 5/Sch. 3/Att. 1, 2013 Audited Financial Statements

Ref: STEI Decision and Order EB-2012-0348

In STEI's smart meter decision EB-2012-0348 and as indicated in its 2013 audited financial statements, STEI received approval for its smart meters effective January 1, 2013. In Appendix 2-BA, smart meters are added into Account 1860 in 2012 for a net amount of $2,529,092 ($3,100,869-$571,777).

a) Please explain why STEI added smart meters to Account 1860 in 2012 and not 2013 in Appendix 2-BA.

b) Per Exhibit 2, Tab 1, Schedule 6 and STEI's smart meter decision, the approved amount to be transferred into rate base was $3,267,776. Please reconcile this approved amount with the $2,529,092 included in Appendix 2-BA.

Response:

STEI recorded the transfer of smart meter assets in 2012 per discussion with STEI's external auditors as part of the 2012 year-end audit. The transaction was recorded in 2012 in order to facilitate a clean 2012 audit opinion as , it was determined that the materiality of the transaction and the fact that the OEB decision and communication was received prior to December 31, 2012 that it should be included in the 2012 financial results.

The timing of the recognition of the smart meter assets, 2012 or 2013, does not have an impact on the 2015TY rate base.

a) Per Exhibit 2, Tab 1, Schedule 6 and STEI's smart meter decision, the approved amount to be transferred into rate base was $3,267,776. Please reconcile this approved amount with the $2,529,092 included in Appendix 2-BA.

Smart meter amount referenced by Board staff in the amount of $2,529,092 included in Appendix 2-BA consists of smart meter capital additions per OEB Decision and Order EB-2012-0348 plus 2012 smart meter additions less accumulated amortization.

Asset	Cost	Amortization	Net
Physical meters	3,082,488	570,551	2,511,937
2012 Additions	18,381	1,226	17,155
Total	**3,100,869**	**571,777**	**2,529,092**

OEB Decision EB-2012-0348 approved asset transfer to rate based in the amount of $3,276,776 consisted of the following assets:

EB-2012-0348

Asset	Cost	Amortization	Net
Physical meters	3,082,488	570,551	2,511,937
Computer Hardware	48,475	22,715	25,760
Computer Software	108,703	54,318	54,385
Tools & Equipment	28,110	8,433	19,677
Total	**3,267,776**	**656,017**	**2,611,759**

2-Staff-6

Ref: Accounting Procedures Handbook, effective January 1, 2012

Per review of STEI's calculation of amortization as provided in STEI Amortization New Policy_20140625, STEI has recalculated the opening net book value of assets in 2012and has amortized opening net book value over the remaining service lives as at January 1, 2012. It appears that no further recalculation was done in 2015. However, in Exhibit 2, STEI stated that due to the transition of MIFRS, STEI will amortize the opening net book value of assets over their remaining life.

a) Please confirm that no further recalculation was done in 2015.
b) If further recalculation was done in 2015:
    i. Please explain whether STEI has made further changes in depreciation policy in 2015 to be in accordance with pages 4 and 5 of Article 320 of the APH that indicate that a change in estimate of useful lives is accounted for prospectively, with a recalculation of the average remaining useful life of the opening net book value. Please identify and explain what further changes to useful lives STEI has made in 2015, why the changes were made and the nature of the changes.
    ii. If no further changes in useful lives were made in 2015, please explain why a recalculation was done in 2015.

Response:

a) As at January 1, 2012 STEI recalculated the amortization based upon asset useful life expectancies consistent with MIFRS. STEI did not recalculate the amortization based upon NBV of the assets, rather it continued the current practice with contributed capital recorded as an amortization offset. The 2015 amortization was calculated on the same basis.

   2015 amortization will actually be higher as contributed capital, under IFRS, is no longer considered an amortization offset but recorded as a deferred revenues and treated as a revenue offset, and amortized over the same period as the assets the contributed capital pertains to.

STEI does not anticipate that this will cause a material change to its application.

b) STEI did not make any further changes to its depreciation policy in 2015, other than the adoption of the ½ year rule.
2015 amortization was recalculated to record the impact of the adoption of the ½ year rule. The ½ year rule is being applied to 2015 capital additions to align STEI's amortization policy with the Board's rate setting practice. Prior to 2015 STEI capitalized assets on a full year basis. Please see Board staff IR 4-29 for additional information.

2-Staff-7
Ref: Ex. 2/T. 1/Sch. 6 - page 5
Ref: Appendix 2-AB

The table in Appendix 2-AB indicates that STEI spent less than it's budgeted capital expenditures by 25.7% in 2010, 16.6% in 2011 and 27.9% in 2013. STEI spent at or above its capital budget in 2012, based on the normalized capital expenditures for 2012 provided by STEI at the above reference. The average capital spending from 2010-2013 was approximately $1,672,000 per year. STEI is forecasting capital spending of $2,163,000 for the test year and will average $2 million per year over the forecast period (2015-2019).

a) Please explain the factors that have led to STEI's capital spending being consistently below budgeted amounts in the years 2010-2013.
b) Please discuss how STEI will be able to manage the approximately 20% increase in annual capital expenditures, given its relatively stable staffing levels.

Response:

a) Prior to restructuring in 2012, STEI experienced resource issues as it competed with the affiliate companies for resources that prevented STEI from achieving the planned 2010 and 2011 distribution capital budget. Upon restructuring STEI has dedicated operations and engineering departments committed to fulfillment of the capital plans.

   The 2012 distribution system capital expenditures (excluding smart meter transfer) of $1,938,482 were $408,583 or 26.75% greater than the budget amount of $1,529,900. Contributed capital of $318,521 was $88,021 or 38.2% greater than the budget amount of $230,500.

   2013 distribution system capital expenditures of $1,589,233 were $42,810 or 2.8% greater than the 2013 budget amount of $1,546,423. Contributed capital of $596,144 was $285,144 or 91.7% greater than the budget amount of $311,000. Contributed capital is impacted by timing recognition.

2013 Administrative capital of $538,637 was $349,363 or 39.3% less than the budget amount of $888,000. The variance is mainly attributed to a new RBD truck that was budgeted in 2013 but carried over into 2014 in the amount of $263,850 and deferred GIS costs of $130,000.

b) STEI's capital program expenditures are allocated to two major functions, the first being distribution system capital expenditures that are internally constructed and the second being administrative capital expenditures that are primarily outsourced to third party contractors.

STEI will make use of outsourced opportunities where it makes good business and financial sense to do so.

STEI's five year distribution capital plan is relatively constant throughout the planning period as shown in the table provided below.

STEI Capital 2015 -2019

	2015	2016	2017	2018	2019
Plant	1,750,000	1,790,000	1,730,000	1,720,000	1,760,000
CC	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Net - Distribution	1,650,000	1,690,000	1,630,000	1,620,000	1,660,000
Administrative	513,000	436,000	458,000	265,000	222,000
Net Capital	**2,163,000**	**2,126,000**	**2,088,000**	**1,885,000**	**1,882,000**

In support of the capital program, a new lineman was hired in September of 2013. With this additional resource STEI is able to allocate the required 12,581 labour hours from the engineering and operations departments to underpin the proposed distribution system capital spending. STEI is confident that the distribution capital plan will be achieved.

The 20% increase referenced by Board staff is primarily related to the administrative capital expenditures that include fleet, IT and other capital items.

The administrative capital budget will fluctuate based upon the specific assets that are being replaced each year.

2-Staff-8

Ref: GIS Project Capital Expenditures – Ex. 2/T. 1/Sch. 6/p. 2

Ref: Chapter 2 Appendix 2-AA

Ref: Ex. 2/T. 1/Sch. 6, page 10

a) At Ex 2/T1/S6/p.10 STEI states that the GIS project concluded in 2014 and no expenditures are forecasted in 2015. The same is noted in the Table 2-20 on page 9. However, in Table Appendix 2AA, STEI has budgeted $50,000 in capital expenditures in 2015 for the GIS project. Please reconcile the differences and correct Appendix 2AA if necessary.

b) If STEI is forecasting to spend $50,000 on the GIS project in 2015, please describe the work that is planned to be undertaken in 2015 and the timelines for the key deliverables.

c) STEI is proposing to add $150,000 in capital expenditures to the 2014 rate base. With respect to 2014:

   i. Please describe the work that is planned to be undertaken in 2014;

   ii. Please provide the timelines for the key deliverables;

   iii. Please confirm whether the GIS project is on track to be completed in 2014; and

   iv. Please state what is the expected actual 2014 capital expenditure, if different from the budgeted $150,000.

Response:

a) There is an error in Ex.2/T1/S6/p.9 for Table 2-20 as it should show a $50,000 GIS expenditure in 2015TY. A revised table is provided below. Similarly the commentary in Ex.2/T1/S6/p.10/line2 should note that the 2015TY expenditures are expected to be $100,000 less than the 2014BY. The totals are unchanged and therefore there is no impact on rate base.

Revised: Ex.2/T1/S6/p.9/line8 Table 2-20

Major Project	2014 Bridge Year	2015 Test Year	Variance
New Services Subdivisions	200,000	200,000	0
System Access	**200,000**	**200,000**	**0**
Voltage Conversion/System Upgrade	1,600,000	1,341,250	-258,750
System Renewal	**1,600,000**	**1,341,250**	**-258,750**
Build New Powerline/Expansion	0	208,750	208,750
System Service	**0**	**208,750**	**208,750**
GIS	**150,000**	**50,000**	**-100,000**
Computer SW & HW	**116,000**	**98,000**	**-18,000**
Fleet	**264,000**	**125,000**	**-139,000**
Building, Office and Fixtures	**170,000**	**170,000**	**0**
Tools and Equipment	**28,000**	**20,000**	**-8,000**
SCADA	**0**	**50,000**	**50,000**
General Plant	**728,000**	**513,000**	**-215,000**
Grand Total	**2,528,000**	**2,263,000**	**-265,000**
Normalized Capital Expenditures	**2,528,000**	**2,263,000**	**-265,000**
Contributed Capital	**-100,000**	**-100,000**	**0**
Net Capital - normalized	**2,428,000**	**2,163,000**	**-265,000**

b) The 2015 GIS work is described in Ex.2/T1/S11 Attachment 2 of 2, STEI Capital Plans 2015 - 2019, Project Number 2015-7. A summary of that exhibit is provided below. The step in the evolution of this system is to add engineering modules to allow for increased outage management capabilities and the integration into various other systems. The 2015TY activities are expected to be completed by Q3 of 2015.

a) Regarding the $150,000 GIS expenditure for 2014:

(i) & (ii) See following table for GIS deliverables, costs and target dates.

2014 Deliverable	2014 Cost	Target Date
Data verification, input new equipment as installed	$13,700	Completed in Q1 2014
Data model cleanup	$8,400	Completed by May 2014
SQL Server migration	$5,600	Completed by May 2014
AutoCAD Map 3D training	$12,500	Completed in June
Display model optimization	$5,600	Completed by July 2014
Add workflows and new modules, rework forms, improve structure and image linking, manage reports, create views and add geo-referencing	$16,700	To be completed by Q4 2014
Document management, CIS integration, web-access plus software and hardware upgrades	$38,600	To be completed by Q4 2014
3rd party meeting time, travel and expenses	$20,000	For 2014
2014 Projected Total	**$121,100**	
** Actual YTD and estimated to year end*		

(iii) The deliverables listed for 2014 will be completed this year.

(iv) The expected 2014 GIS capital expenditure is forecasted to be $121,000, $29,000 less than the 2014BY budget amount. This amount will be carried forward into 2015TY.

2-Staff-8

Ref: Ex. 2/T. 1/Sch. 6, Table Appendix 2-AA - Building and Equipment Expenditure

Preamble: STEI is planning to spend $515,000 over the 2014 – 2016 period on building renovations and equipment. This is based on a yearly expenditure of $170,000 in 2014 and 2015 respectively and $175,000 in 2016.

a) Did STEI prepare a business case for this project? Please submit the business case for the project, if available.

b) STEI is proposing to add $170,000 in expenditures to the 2014 rate base. With respect to 2014, please describe:

   i. the work that is planned to be undertaken in 2014;
   ii. the timelines for the key deliverables;
   iii. whether the budgeted work for 2014 will be completed as planned; and
   iv. what is the expected actual 2014 capital expenditure, if different from the budgeted $170,000??

Response:

a) There is no business case for the Building and Equipment Expenditure. Management identified a number of issues with the building and had discussions with a consultant that provided an overview of the scope and price of the required renovations to the existing building. Currently STEI has spent $17,000 on a basement leak and upgrade to the payment window.

   The work will be tendered to ensure competitive pricing.

b)

   i. The work categories for the 2014 work are; Demolition, Flooring, Paint and Wall Coverings, Construction, Electrical, Furniture, Furniture Installation, Millwork and Miscellaneous.

   ii. This work was planned for Q3 & Q4 2014.

iii. The budgeted work is expected to be completed by the end of Q4 2014 as planned.

iv. The expected 2014 capital expenditure spend remains unchanged.

2-Staff-9

Ref: Ex. 2/T. 1/Sch. 11/App. 1 – Distribution System Plan ("DSP")

Throughout the DSP, STEI references its ongoing voltage conversion project to convert its distribution infrastructure from 2.4kV to 27.6kV.

a) Please submit the business case for the Voltage Conversion Project.
b) The Voltage Conversion Project is a 10 year project and the largest in STEI's history. Did STEI prepare a "project execution plan" at the start of the project that maps the roll out of the full project? If such a plan was prepared, please submit the plan.
c) In the absence of a business case or a project execution plan, it is unclear from the evidence as to how much of the Voltage Conversion Project has been completed and how much of it still remains to be completed. If this information is not provided as part of the response to part (b) above, please indicate when is the project expected to be completed? Please also indicate when the 6 Municipal TSs will be removed from service.

Response:

a) STEI does not have a business case for the Voltage Conversion Project.
b) STEI did not prepare an initial project execution plan that maps out of the full project. STEI identified the Voltage Conversion as a major capital initiative as far back as 15 years ago in which STEI has removed 9 substations from service. As part of the 2011 COS Rate Application STEI retained consultants to assist in developing a 10 year execution plan that has been incorporated into the 2015 COS DSP. The 10 year plan anticipates a 2020 completion date. The remaining five years of the 10 year execution plan has been documented in Board Appendix 2-AA.
c) STEI anticipates that the Voltage Conversion Project will be completed in 2020 at which time all 6 Municipal substations will be removed from service.

2-Staff-10

Ref: Ex. 2/T. 1/Sch. 6, Table Appendix 2AA - Capital Expenditures for the Connection of New Subdivisions

a) STEI has budgeted $200,000 in 2014 and 2015 respectively for the connection of new subdivisions. For comparison purposes, please provide the actual expenditures related to new subdivision connections for the years 2010-2013.

b) In preparing the 2015 TY capital expenditure estimates for this project, did STEI refer to city planning documents or growth studies that identify the regions with STEI territory where new subdivisions are planned? Please provide the studies/documents that were used to support the proposed expenditures.

c) STEI is proposing to add $200,000 to the 2014 rate base. Is STEI on track to expend the capital expenditures that are budgeted for 2014? If it is expected that the 2014 expenditures will be different from the budgeted amounts, please provide STEI's best estimate for the 2014 expenditure

Response:

a) The following table provides the 2010 to 2013 new subdivision connections

New subdivision services	2010	2011	2012	2013
	$428,761	$438,293	$740,481	$382,850

b) City planning documents or studies were not available to support proposed expenditures. STEI engineering staff has regular meetings with the City and informal discussions with local developers. The 2015TY capital expenditures were based upon these conversations.

c) STEI is forecasting the 2015BY additions are forecasted to be on plan. This forecast could be higher dependent upon a developer obtaining MOE approvals prior to November for this project to occur in 2014.

2-Staff-11

Ref: Asset Condition Assessment ("ACA"), Table III-6, page 13

Table III-6 at the above reference provides an asset replacement strategy that was prepared by Kinetrics as part of the ACA. This Table provides a replacement cycle over a 10 year period for major asset classes. For example, in the case poles, the ACA recommends a replacement cycle over a 10 year period, starting with 86 poles to be replaced in the first year, 76 in the second and so on and reaching a maximum of 84 poles in year 10. This replacement cycle was based on a condition assessment that 4% of poles were in "poor and very poor" condition. Further, at page 11 of the section titled *Asset Lifecycle Optimization Policies and Practices* states "STEI has taken a proactive approach to testing and replacing of wood poles…." However, staff observes that in the current capital expenditure plan, STEI is proposing no expenditures for the Pole Replacement Program in 2014, 2015 and through to the end of 2019.

a) Board Staff understands that the Voltage Conversion Project is intended to be the focus of the DSP. However, given the findings of the ACA and STEI's evidence that poles are replaced proactively, please explain the reason for not allocating any capital towards the replacement of poles in 2014, 2015 and beyond.
b) Appendix 2-AA provides the capital expenditures for the Pole Replacement program for the period 2010 to 2013. How many poles were replaced under this program in each of the years respectively?
c) As part of the "Asset Lifecycle Optimization Policies and Practices" STEI provides its inspection cycle for distribution assets. According to that cycle, poles are inspected on a 3 year cycle. How many poles were inspected in 2013 and what was STEI's assessment of the condition of its poles based on this assessment.
d) The ACA estimates a replacement cost of $10,000 per pole. What is STEI's average cost per pole?

Response:

a) STEI recognizes that it provided a high-level capital overview as noted in E42/T1/S6 page 3 lines 1 -7.

Embedded within the Voltage Conversion Plan is the replacement of poles. The actual asset components within the capital projects are broken out at year-end.

As shown in the following table in response to question b) the majority of the poles are replaced as a component of the Voltage Conversion Plan.

b) The following table provides the poles replaced from the 2010 to 2013 period.

Poles Replaced	2010	2011	2012	2013
Under voltage conversion	53	210	67	81
Outside of voltage conversion	23	4	2	3
Total	76	214	69	84

c) STEI inspect approximately 200 poles in 2012 in the North half of the City and no problems were identified.

d) STEI's average cost per pole is $8,700, which is less than the $10,000 provided in the ACA study. The ACA study was performed when STEI was operating as a virtual utility operating under a MSA in which the costs exceed the internal actual cost per pole.

2-Staff-12

Ref: Asset Condition Assessment Report ("ACA"), Table III-6, page 13

Table III-6 at the above reference provides an asset replacement strategy for PoleMounted Transformers, Pad Mounted Transformers and Overhead Switches. It appears to staff that the current capital expenditure budget does not allocate any funds for the replacement of the noted transformers or switches.

a) Board staff understands that Voltage Conversion Project is the focus of the DSP. However, given the findings of the ACA please explain the reason for such an approach.
b) The ACA was prepared in 2011-2012. The ACA recommends that in year one, STEI replace the following assets: 13 Pole Mounted Transformers, 2 Pad Mounted Transformers and 1 Overhead Switch. How many of these assets were replaced in the first year (i.e. 2013)?
c) For the period of 2010 to 2013 how many defects were reported in relation to each of these asset classes? Please provide the information on a yearly basis if it is available.

Response:

a) STEI recognizes that it provided a high-level capital overview as noted in E42/T1/S6 page 3 lines 1 -7.

   Embedded within the Voltage Conversion Plan is the replacement of various assets identified within the ACA. The ACA report, Table III-5 identifies the Replacement Strategy for these items are reactive and as such STEI has not budgeted capital expenditures for these items.

b) The following table provides the assets replace in 2013

Replacements in 2013	Pole Mounted Transformers	Pad Mounted Transformers	Overhead Switches
	1	1	0

As noted above, these assets are replaced on a reactive basis (reacting to planned inspections) based upon failure or failed inspections, the actual replacement rate was less than anticipated in the ACA.

c) The following table provides the defective assets for the years 2010 to 2013

Defects Reported	2010	2011	2012	2013
Pole Mounted Transformer	8	7	4	5
Pad Mounted Transformer	1	0	0	0
Overhead Switches	3	6	1	2

2-Staff-13

Ref: Asset Condition Assessment Report (ACA), p.15 & 16 – Conclusions and Recommendations

The ACA recommends a number of improvements in the collection of inspection data. These recommendations are noted in bullets 7-11 at p.16 of the ACA. With reference to each recommendation, please indicate if STEI intends to address the noted gaps.
Please identify the improvements STEI has implemented in recent years to address the noted concerns in the collection of inspection data.

Response:

STEI in support of its next ACA review has considered the improvements in the collection of inspection data. Management recognizes that some of these initiatives will be in place on a prospective basis. The next ACA review has not yet been determined.

- Item 7, Substation Transformers, no improvement identified as the intent is to remove all substations by 2020. Additional data available from the by-annual substation maintenance program.
- Item 8, Pole Mounted Transformers, STEI is performing infra-red and visual inspections; to date we have not documented the information as summarized in item 8.
- Item 9, Pad Mounted Transformers. STEI performs planned inspection for Pad Mounted Transformers in which a number of physical attributes are inspected and documented

2-Staff-14

Ref: Ex. 2/T. 1/Sch. 11/Att. 1 - DSP, Section 1.3, pages 3 & 7

On page 3 of section 1.3 of the Distribution System Plan ("DSP") STEI states that, "in addition to the metrics mandated by the OEB, STEI is evaluating a number of additional performance measures that may potentially assist in the utility's continuous improvement activities."

a) Has STEI consulted with other distributors regarding these and other metrics that may be used for benchmarking? Does STEI intend to compare the metrics to other distributors to gauge performance?

b) On page 7 of section 1.3, STEI mentions using the results of the UtilityPULSE survey to track metrics related to blackouts and outages experienced by its customers. Has STEI considered leveraging its AMI to track such occurrences so that the data can be provided for a much larger set of customers?

Response:

a) STEI has not specifically consulted with other distributors regarding these and other metrics that may be used for benchmarking. STEI is open to having discussions within the various groups that we belong to.

   STEI compares its metrics within the UPM survey to gauge performance

b) STEI has capital projects planned in future years that will make better use the AMI data that's available. These efforts will follow the work on the GIS system which is a central component in this effort. STEI's longer term vision is to develop a comprehensive outage management system.

2-Staff-15

Ref: Ex. 2/T. 1/Sch. 11/Att. 1 - DSP, Section 1.3, pages 8-10

The table provided on page 8 of section 1.3 of the DSP, shows that the SAIFI, SAIDI and CAIDI metrics are generally higher in 2009-2013 than they were in the preceding five year period (i.e. 2004-2009).

Additionally, the numbers of unplanned and momentary outages for 2010-2013 are shown in the tables on pages 9 and 10. Other than spikes in 2011, these tables indicate a downward trend in the number of unplanned and momentary outages over that period.

a) Similar to the tables on pages 9 and 10, please provide the number of unplanned and momentary outages for the years 2004-2009, if available.
b) Please reconcile the general trend of increases in the SAIFI and SAIDI metrics from 2009-2013 with the downward trend shown in the table on pages 9 and 10.
c) Please provide a brief summary of the circumstances that may have contributed to the moderate spikes in the number of unplanned and momentary outages in 2011.

Response:

a) The number of planned and unplanned outages for the years 2004 to 2009 is provided in the following table.

Year	Unplanned Outages	Momentary Interruptions
2004	Not Available	10
2005	59	21
2006	32	14
2007	30	11
2008	36	17
2009	32	18

b) Despite the fact that the number of incidents have decreased, the outage statistics are impacted by two factors, 1) number of customers impacted and 2) length of the customer outages. The decreased outage have impacted a greater number of customer for a longer period of time typically on the 27.6 kV system

STEI has provided the background for some of the interruptions for the years 2009 to 2013 in the following commentary.

- In 2009 two incidents of the 32 for the year (loss of supply and Overhead contact) account for 61% of our total planned and unplanned Customer-Hours of Interruption for the year.
- In 2010 two incidents of the 36 for the year (tree and OH contact) account for 65% of our total planned and unplanned Customer-Hours of Interruption for the year.
- In 2011 four incidents of the 51 for the year (blown arrester, loss of supply, tree contact) account for 92% of our total planned and unplanned Customer-Hours of Interruption for the year.
- In 2012 our reliability stats improved compared to 2010, 2011 & 2013 even though the number of unplanned outages are consistent with years 2006 to 2010.
- In 2013 three incidents of the 23 for the year (tree contact and loss of supply) account for 92% of our total planned and unplanned Customer-Hours of Interruption for the year.

2-Staff-16

Ref: Ex. 2/T. 1/Sch. 11/Att. 1 - DSP, sec 2.1, pages 22

On page 22 of section 2.1 of the DSP, STEI states that "the condition of the distribution system, for the short, medium and long term period, is reviewed to maintain and enhance the reliability of the system in the most cost effective manner."

Response:

Per conversation with Board staff, this is a statement that does not require a response.

St. Thomas energy inc.
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File Number: EB-2014-0113

Date Filed: September 9, 2014

Tab 4 of 8

Exhibit 3

3-Staff-17

Ref: Ex. 3/T. 1/Sch. 3/Att. 1 - Sch.3, page 1

Ref: Ex. 3/T. 1/Sch. 4/Att. 1 - Sch. 4, page 3

At the above reference, Elenchus states that the forecast for the GS < 50 kW class was estimated using 60 observations, as opposed to the 100 observations used for the Residential class. Elenchus stated that this was due to an “apparent structural shift” in the class that occurred in 2009.

Elenchus used a similar approach for the GS > 50 kW class.

a) Were any regressions attempted using a variable to reflect the “structural shift” that allowed the use of a larger sample size of observations? If yes, what were the results and why was such an approach ultimately rejected?
b) The regression for the GS > 50 kW class did not yield R-squared values that indicated as strong a fit as the regression performed for the GS < 50kW class.
Please identify any other approaches to the regression for the GS < 50 kW that were attempted, if any, and explain why such approaches were ultimately rejected.

Response:

a) A recession variable was attempted, however all attempted time periods resulted in a substantially lower R-squared and substantially more variability on the regression variables. The recession of 2008/2009 resulted in the loss of manufacturing as well as manufacturing dependant employment, and that the remaining customers as well as new load may have different sensitivity to weather and employment than did the old customer base.

b) In addition to the final metrics selected, local and provincial employment metrics were attempted and rejected. However, the model did not respond robustly to either metric. The use of a regression was retained however as the model does exhibit weather sensitivity, and does appear to more accurately predict load than more basic methods such as a trendline or most recent historical year.

3-Staff-18

Ref: Ex. 3/T. 1/Sch. 3/Att.1 – Sch. 3, page 5

At the above reference Elenchus states that it “has determined that it would be appropriate to use 50% of the residential Geomean to fairly estimate the forecast customer counts” for the GS < 50 kW class. In comparing the annual percent change in Residential customer connections (shown in Table 2.7 of the above reference) to the annual percent change in the GS < 50 kW class (shown in Table 3.5), it does not appear that such a trend has occurred in the past. Please provide the basis and rationale for this determination.

Response:

In the past, reclassifications into the GS < 50 class inflated the growth in the customer count of this class. In more recent years, with the exception of 2013, the Residential class has exhibited more growth than the GS < 50 class. 50% of the Residential class was selected on the basis that the GS < 50 customer count cannot be relied on for the purpose of determining a trend. Reasonable alternatives might be to consider no change in customer count, or that the customer count would follow that of Residential. Over the past 4 years, the GS < 50 class has averaged 0.65% growth, and would be negative if not for the outlier, 2013. In light of all of this, a growth rate of 0.49%, or half the Residential Geomean seems appropriate.

3-Staff-19

Ref: Ex. 3/T. 1/Sch. 3/Att.1 – Sch. 3, page 6

Table 3.6 at the above reference shows the predicted normalized annual kWh for the GS < 50 kW class. Elenchus' forecast shows an increase in annual kWh of 4.7% for 2014 and 1.7% for 2015. At pages 5 and 6, Elenchus notes that the GS < 50 kW class was subject to customer reclassification in 2013 and that 58 connections were added to the class in that year. Elenchus is only forecasting an additional 8 customers in 2014.

a) Given the historical trend of decreased consumption for the class that began in 2009, please explain what factors lead STEI to believe that such an increase in consumption would be reasonable in 2014 and 2015.

b) How does the consumption for the class, to date, in 2014 match with the forecast provided by Elenchus?

Response:

a) The coefficient for the GSltCust variable (the GS less than 50 customer count) is greater than the consumption of the average customer. Elenchus attempted to add other explanatory variables such as a trend variable or an economic indicator, but neither were significantly correlated to usage. In the case of the customer count variable, the t-ratio of 9.4 indicates a very strong correlation to usage, and makes this variable difficult to dismiss. However, the variable also necessitates caution around projected customer count increases.

b) The July 31, 2014 GS < 50 kW consumption is 23,921,603 kWh's which is approximately 59% of the 2014BY forecast of 40,662,591 kWh's.

3-Staff-20

Ref: Ex. 3/T. 1/Sch. 3/Att.1 – Sch. 4, page 1

At the above reference, Elenchus discusses the treatment of the announcement of the closure of a plant in the GS > 50 kW class. Elenchus states:

Since May, consumption at the site has averaged about 130,000 kWh/month and 360 kW. This amount has been added back to the class forecast period to account for basic upkeep at the site.

a) Please explain the above statement and clarify the date of closure for the customer.
b) Additionally, please clarify for which year the month of May is referenced in the above.

Response:

a) In 2012 the company announced its closure and the demand had been declining since December 2012.

   In May 2013, the plant ceased operating in its productive capacity with demand at 1% of the 2013 average. Since that time its consumption has averaged 130,000 kWh/month and 360 kW. This usage is associated with basic site maintenance, such as cleaning staff.

   The Load forecast adjusted for the change in consumption with this customer in that the historical load was removed and the current load added back to the data.

b) Please see response above.

Tab 5 of 8

Exhibit 4

4-Staff-21

Ref: Ex. 4/T. 1/Sch. 1, page 14

Ref: Appendix 2-JB - Recoverable OM&A Cost Driver Table

On page 14, of Ex. 4/T. 1/Sch. 1, STEI states that it has incurred greater bad debt expenses as a result of the current economic conditions. In Appendix 2-JB, STEI indicates that bad debt costs decreased by $80,913 in 2012, $44,270 in 2013 and is showing a projected increase in bad debt costs of $19,000 for 2014.

a) Please reconcile the statement on page 14 with the data provided in Appendix 2 JB.
b) Please explain why STEI is forecasting an increase in bad debt costs for 2014 when it has shown a trend of decreases in 2012 and 2013.

Response:

a) As highlighted in the table below, the bad debts that STEI has experienced have increased in relation to the 2011 COS approved amount. This is due to the impact on residential customer with regards to the closure of the Ford and Timken plants. Additionally, STEI has experienced increased small commercial bad debts.

Bad Debts 2011 - 2015

	2011 COS	2011 Actual	2012 Actual	2013 Actual	2014 Forecast	2014 BY	2015 TY
	81,000	181,401	144,856	100,586	136,000	120,000	122,500
Year over year change		100,401	44,455	(44,270)	35,414	19,414	2,500
3 yr average				**142,281**			
4 yr average					**140,711**		

STEI bad debts as of July 31, 2014 are $79,215 and are forecasted to be approximately $136,000 for 2014. Based upon the table provided above the bad debt amount included in the 2015 TY may be too low as the four-year trend from 2011 actual to 2014 forecast averages $140,711.

b) Please see response to part a) above.

4-Staff-22

Ref: Ex. 4/T. 1/Sch. 2, page 12

At the above reference, STEI states that it "is no longer budgeting for community relations expenditure" and that "this activity is being recorded by its affiliate AGI." STEI notes that approximately $22,000 in community relations costs are included in the AGI annual fee. Please explain how outsourcing the community relations activities to STEI's affiliate will affect STEI's level of customer engagement. Please describe the nature of the activities that will be provided by AGI and, to what extent, STEI will be involved in the planned activities.

Response:

Transferring the community relations activities to AGI will not affect STEI's level of customer engagement. The total amount of $22,000 represents the budget for the entire enterprise (Ascent Group Inc. and all of its subsidiaries). In addition, there is some additional budgeted funds of $5,000 in support of the programs that will be in partnership with the shareholder, the City of St. Thomas. In total there is $27,000 budgeted for 2014. Of this amount, $6,000 has been earmarked for communities outside of St. Thomas.

The remaining $21,000 is dedicated to St. Thomas and is focused on community activities, events and a local college campus ($2.5K scholarship). Almost all community event support is “co-sponsored” with St. Thomas Energy and are events that were supported by St. Thomas Energy historically. Staff and Sr. Mgmt. of STEI have direct input into the program.

In summary, STEI believe that it has a great influence on the programs supported with the funds either through direct identification or in conjunction with its Shareholder/parent Company.

4-Staff-23

Ref: Ex. 4/T. 1/Sch. 2, page 13

Table 4-6 at the above reference indicates that STEI spent $330,625 (22%) in Administration and General expenses above what was approved in its 2011 cost of service application. Additionally, STEI states that the administrative costs for 2013-2015 include $450k for administration and governance costs allocated from its parent company AGI.

a) Please provide an explanation for the increase in 2011 actual spending over the Board approved amount.

b) In the row labeled "Change for 2011 approved" STEI shows that Administration and General expenses for the 2015 test year are $851k above amounts approved in its last cost of service application. STEI has already stated that.

Response:

a) It is important to note that the Board 2011 COS Decision and Order EB-2010-041 for rates effective May 1, 2011 was issued June 28, 2011. Included in that Decision was the results of the June 17, 2011 Proposed Settlement Agreement in which STEI's OM&A was reduced by $303,642 from the original application. Given the date of the Decision and Order STEI was not able to achieve the imposed decrease in its 2011 cost structure within the 2011 time frame which impacted shareholder returns. The table below provides the actual variance by administrative account:

Administrative Expenses 2011 COS vs 2011 Actual

	2011 COS	2011 Actual	Variance
5605-Executive Salaries and Expenses	220,624	259,493	38,869
5610-Management Salaries and Expenses	449,994	570,078	120,084
5615-General Administrative Salaries and Expenses	138,018	257,681	119,663
5620-Office Supplies and Expenses	22,749	2,971	(19,778)
5630-Outside Services Employed	49,987	49,405	(582)
5635-Property Insurance	27,185	30,560	3,375
5640-Injuries and Damages	15,622	23,147	7,525
5655-Regulatory Expenses	175,896	193,220	17,324
5660-General Advertising Expenses	14,680		(14,680)
5665-Miscellaneous General Expenses	50,599	58,229	7,630
5675-Maintenance of General Plant	199,419	266,229	66,810
5680-Electrical Safety Authority Fees	15,840	12,810	(3,030)
6105-Taxes Other Than Income Taxes	121,496	108,911	(12,585)
Totals	**1,502,109**	**1,832,734**	**330,625**

b) A component of STEI's restructuring included that STEI become responsible for STEI specific expenditures that were previously recorded as affiliate expenses and not included in the 2011 COS application as provided in the following table.

Administrative Expenses 2011 COS vs 2015 TY

	2011 COS	2015 TY	Variance
Mgmt Fee			405,000
5620-Office Supplies and Expenses	22,749	239,935	217,186
5665-Miscellaneous General Expenses	50,599	163,360	112,761
5630-Outside Services Employed	49,987	88,827	38,840
5635-Property Insurance	27,185	56,155	28,970
6205-Donations - LEAP Funding - Sub-Account	-	10,210	10,210
Miscellaneous, inflation, etc			38,653
Increase 2015 vs 2011			**851,620**

Account 5620 includes the following new expenses

- Office supplies
- UCS software licenses, $68,000
- Filenexus, Loris, $32,000
- Software expenses, including licenses and maintenance agreements $78,000
- Telephone including cellular $30,000
- Postage meter, folder inserter and photocopies leases

Account 5665 includes the following expense

- MEARIE retiree benefits, approximately $90,000
- Cleaning supplies, subscriptions, courier, etc.

4-Staff-24

Ref: Appendix 2-JC - OM&A Programs Table

The OM&A Programs Table shows a decrease in planned inspection expenditures from $259,540 in 2012 to $107,462 in 2013. STEI is forecasting $126,035 in planned inspection expenditures for the 2015 test year.

a) Please describe the factors that have led to a decrease in planned inspections.
b) Given the recommendations provided in the Asset Condition Study in Exhibit 2, please comment on what effect the decrease in costs for planned inspections may have on STEI's reliability performance.

Response:

a) The 2012 planned inspection amount of $259,450 included $138,000 of costs related to the smart meter transfer. When this amount is excluded, the 2012 actual planned inspection costs were $126,450, $4,585 less than the 2015 TY amount of $126,035.

   The $138,000 smart meter adjustment is referenced in Exhibit 4, Tab 1, Schedule 2, Page 10, table 4-3. The table does not indicate that the smart meter adjustment is related to planned inspection work.

b) Based upon the information provide in a) there is no impact on STEI's reliability performance.

4-Staff-25

Ref: Ex. 4/T. 1/Sch. 3, page 2

Ref: Appendix 2-JC - OM&A Programs Table

At the above reference, STEI states that "customer initiated 2015TY O&M activities have increased by $133,148 over the 2012 actual and represents 65% of the total increase for the period." Appendix 2-JC shows $154k in customer initiated expenses for 2012 and $176k for the 2015 test year. Please reconcile the statement with the data provided in Appendix 2-JC.

Response:

The amounts presented in Appendix 2-JC are correct, customer initiated 2015TY activities of $176,178 are $21,871 greater than the 2012 actual amount of $154,307. The statement in Ex. 4/T. 1/Sch. 3. page 2 is incorrect.

4-Staff-26

Ref: Ex. 4/T. 1/Sch. 4, page 5

Ref: Ex. 4/T. 1/Sch. 4/Att. 4

Ref: Ex. 1/T. 5/Sch. 3/Att. 2, 2012 Audited Financial Statements

Ref: Ex. 4/T. 1/Sch. 5, pages 1-2

a) Per note 8 and note 17 of the audited financial statements, it appears that the STEI did not have any employee retirement benefit liabilities prior to January 1, 2012, when the liability was assumed from Ascent Energy Services Inc. Please confirm that STEI has not received any past recoveries of Other Post-Employment Benefits ("OPEB") in rates in its past rate applications.

b) If STEI has received past recoveries for OPEBs in rates, please provide a table similar to the one below for each year from the first year STEI included OPEBs in rates on an accrual basis of accounting to 2015, comparing to amounts STEI actually paid.

Year	…2006	2011	2012	2013	2014	2015
Amounts included in rates						
OM&A						
Capital expenditures						
Sub-total						
Paid amounts						
Net excess amount included in rates greater than amounts actually paid						

c) Per note 8 of the audited financial statements, it appears that STEI transferred in $1,213,561 in Employee Future Benefit Liabilities.

i. Please confirm that this is the liability STEI is proposing to include in the current rate application in 2012. If not, please indicate the amount of liability transferred in for rate purposes.

ii. Please explain how and on what basis the amount was derived.

iii. Please explain how STEI has ensured that the amount of liability transferred into STEI appropriately reflects the liability that pertains specifically to STEI.

a. Please include an explanation in relation to the allocation of employees' time spent performing work for STEI before the restructuring.

d) When performing work for STEI at Ascent Energy Services Inc., employees may have spent only a portion of time working for STEI. Please complete the table below for employees transferred into STEI as at January 1, 2012,

Employee / FTEs	% of Time Performing Work for STEI Prior to Restructuring	% of Time Performing Work for STEI After Restructuring	Total $ Employee Future Benefit Liability Pertaining to Employee (B)	Portion $ of Employee Future Benefit Liability as at January 1, 2012 (A)	% of Employee Future Benefit Liability Transferred In (=A/B)
Employee 1					
Employee 2					
Total			$xx (should agree to total liability per employee per Ascent Energy Services Inc)	**$1,213,516**	

e) How many employees and contract staff were employed by Ascent Energy Services Inc. up to the end of 2011? Please identify how many were full-time and how many were part-time. Please indicate the number of hours worked in a normal work week for each employee and contract staff.

f) f) In STEI's Engineering services to Ascent and water and billing services to the City of St. Thomas per Exhibit 4, Schedule 5, how does STEI price the services it provides to affiliates? Do these costs include the appropriate amount of post-retirement benefits for current service, actuarial losses, past service costs and interest costs?

Response:

a) STEI confirms that it did not receive any past recoveries of Other Post-Employment Benefits in rates in its past rate applications.

b) N/A see response to a)

c)

i. STEI confirms that in conjunction with the restructuring $1,213,561 of Employee Future Benefit Liabilities were transferred. The amount included in the 2015 COS application per note 7 of the 2013 audited financial statements is $1,081,373, $132,188 less than the 2012 amount.

In 2013, STEI had an actuarial valuation performed by Collins Barrow Toronto Actuarial Services Inc. The latest valuation calculated an actuarial gain of $162,204, as STEI does not use the corridor method for recognizing actuarial gains and losses. Under the corridor method a portion of the gains or losses is recognized in earnings when the cumulative amounts of these gains or losses exceed 10% of the benefit obligation. STEI recorded the entire actuarial gain of $162,204 in 2013 and no portion of the gain was allocated to an affiliate.

ii. The allocation was employee based, reviewed and approved by STEI's external Auditors.

iii. The liability is associated with the future retirement of the employee and remains with the employee until termination or retirement. STEI was fully compensated for the entire liability from AESI through the restructuring transaction, per response to question c) and the information provided in E4/T1/S4 page 5 in 2013.

In addition, STEI had an actuarial valuation performed by Collins Barrow Toronto Actuarial Services Inc. in 2013 that provided the future liability for the current employees of STEI...

The results of this valuation have been included in the 2015TY and as STEI did not adopt the corridor method for recognizing actuarial gains and losses, STEI recognized an actuarial gain in 2013 of $162,204. In light of the actuarial gain recognition, it may be considered that AESI over compensated STEI for the initial liability transfer.

The Summary Actuarial Valuation is provided as Attachment 4 of the above noted exhibit reference

d) STEI is unable to calculate the table as requested by Board staff as the liability per employee is not available.

In 2012, 28 employees were transferred to STEI, all of which worked 100% on STEI activities. Three of the staff that provided services on a pro-rated basis remained in Ascent Energy Services Inc., (they were not transferred to STEI).

As provided in response to question c) above the Employee Future Benefits included in the 2015 COS application is based upon a current valuation performed in 2013 that independently valued the liability. Additionally, the liability does not include amounts attributed to the three staff that remained in AESI.

e) AESI had 31 fulltime employees and two Co-op students. 28 fulltime employees were transferred to STEI. Six of the employees work 35 hours per week and the remaining 22 work 40 hours per week. The two Co-op students have not been replaced by STEI.

f) The services provided to the City for water and sewer billing and collecting services were priced based upon information provided in the PriceWaterhouseCoopers (“PWC”) study. The rate charged to affiliates is priced to include the recovery of all employee related costs and includes a regulated rate of return. The transfer prices were reviewed as reasonable by PWC.

4-Staff-27

Ref: Ex. 4/T. 1/Sch. 4, page 5

Ref: Ex. 4/T. 1/Sch. 4/Att. 4

With regards to actuarial valuations,

a) STEI indicated that a new valuation report will be performed in conjunction with the transition to IFRS in 2015. Has the new valuation been performed yet? If yes, please provide the valuation report.

b) Per Exhibit 4, STEI has budged post-employment benefit costs of $10k for 2014 and 2015. Please explain the rationale of how STEI came up with the $10k budget for each of 2014 and 2015. Please correlate the budgeted amount to the actuarial valuation in attachment 4.

Response:

a) STEI has budgeted for the new valuation to occur in 2015. It has not yet been performed.

b) STEI estimated the 2015 post-employment benefits at $10,000 based upon the results of the 2013 valuation as 2013 current service and interest costs exceeded benefits paid for the year by $8,629.

4-Staff-28

Ref: Ex. 4/T. 1/Sch. 5/Att. 1 - Cost Driver Study ("CDS"), pages 11-15

With regards to the analysis provided in the CDS,

a) Page 14 of the CDS states that PricewaterhouseCoopers ("PwC"), "obtaine pricing data from four sources for Water/Sewer Billing and Collection services from other Ontario LDCs." Please clarify whether data from 4 LDCs was used for the comparison or whether the data from four separate studies of multiple LDCs were used.

b) In the report, PwC states that the water/sewer billing and collections cost "should be charged at STEI's incremental cost in providing such services."

   Please explain the principle that was used to derive the $75 hourly rate that will be charged to STEI for locates, meter service layouts and meter technician services.

Response:

a) The data from 4 LDC's were used for comparative purposes.

b) The rate $75 hourly charged to affiliates is priced to include the recovery of all employee related costs and includes an appropriate rate of return. The engineering hourly rate that STEI charges its affiliates is $100.

4-Staff-29

Ref: Ex. 4/T. 1/Sch. 11, page 8

Ref: Ex. 2/T. 1/Sch. 2, page 3

In Exhibit 2, STEI indicated that its 2011 cost of service application assumed the half year rule for depreciation costs. In Exhibit 4, STEI indicated that its amortization policy has been to record a full year's depreciation expense on capital additions during the year that the asset was placed in service. STEI will be adopting the half year rule in2015.

a) Please explain why STEI has been recording a full year's of depreciation from 2012 to 2014, when the half year rule had been used in 2011, STEI's last cost of service rate application. Please explain why STEI has been inconsistent in applying its depreciation method to additions in the year of service.
b) As a full year's depreciation is taken in each year of 2012-2014, the net book value of PP&E in 2015 will be lower than the net book value of PP&E had the half year rule been used in those years. In Exhibit 2, STEI indicated that its decision to not adopt the half year rule till 2015 did not impact the 2015 rate base. Please explain why this would be the case.
c) Please quantify the impact to depreciation expense and rate base using the half year rule for 2012 to 2014.

Response:

a) STEI accepted the Board's position of applying the ½ year rule for depreciation for the purposes of rate setting but applied the full year rule for financial reporting under CGAAP.

   STEI did not believe that this would result in any material differences and as a point of reference the amortization included in the 2011 COS application of $1,356,340 was $29,996 less than the 2011 actual amount of $1,386,336.
b) STEI did not believe that by not adopting the 1/2 year rule that there would be a material decrease in the amortization expense for 2015. Additionally the rate base for the 2015 COS application would be materially less thereby resulting in a lower revenue requirement that benefitted the rate payer.

c) STEI has recalculated the amortization using the ½ year rule for the years 2012 to 2014. For the period 2012 to 2015 accumulated amortization would be $4,974,362 or $153,676 less than the 2012 to 2015 amortization recorded in this application of $5,128,038. (The ½ year rule is not applied to transferred assets).

The 2015TY amortization of $1,208,219 is reduced by $332 under the ½ year rule to $1,207,886 for the 2015 TY.

STEI has recalculated the rate base in the following table, applying the ½ year rule from 2012 to 2015. Based upon the recalculated results STEI's rate base in the original filing is $153,510 less than what it would be had STEI applied the ½ year rule throughout the period from 2012 to 2015.

	2011 Approved	2011 Actual	2012 Actual	2013 Actual	2014 BY	2015 TY
Reporting Basis	**CGAAP**	**CGAAP**	**CGAAP**	**CGAAP**	**CGAAP**	**IFRS**
Opening Balance Gross Fixed Assets	39,330,658	39,362,298	40,977,689	48,041,875	49,565,396	52,082,188
Closing Balance Gross Fixed Assets	41,136,899	40,977,689	48,041,875	49,565,396	52,082,188	52,262,474
Average Balance Gross Fixed Assets	40,233,778	40,169,994	44,509,782	48,803,635	50,823,792	52,172,331
Opening Balance Gross Fixed Assets		(20,614,926)	(22,001,262)	(23,489,885)	(24,583,356)	(25,760,138)
Closing Balance Gross Fixed Assets		(22,001,262)	(23,489,885)	(24,583,356)	(25,760,138)	(25,407,814)
Average Balance Gross Fixed Assets	(21,293,096)	(21,308,094)	(22,745,574)	(24,036,621)	(25,171,747)	(25,583,976)
Average net Fixed Assets	**18,940,682**	**18,861,899**	**21,764,208**	**24,767,015**	**25,652,045**	**26,588,355**
Working Capital	32,913,270	30,359,262	35,277,221	33,359,291	37,131,919	38,841,147
Working Capital Allowance	**4,936,991**	**4,553,889**	**5,291,583**	**5,003,894**	**4,827,149**	**5,049,349**
Rate Base	**23,877,672**	**23,415,789**	**27,055,791**	**29,770,908**	**30,479,195**	**31,637,704**
Rate Base - Original Application	**23,877,672**	**23,415,789**	**27,025,479**	**29,688,965**	**30,350,892**	**31,484,194**
Difference	-	**0**	**(30,312)**	**(81,944)**	**(128,303)**	**(153,510)**

4-Staff-30

Ref: Ex. 4/T. 1/Sch. 12/Att. 1

Ref: Filing Requirements Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

The Filing Requirements state that a distributor should file "copies of most recent Federal and Provincial tax returns." Board staff acknowledges that, at the time of filing, STEI may not have had copies of its 2013 tax returns. Please provide STEI's 2013 tax returns.

Response:

STEI's 2013 tax returns are attached.

Attachment 1 of 1

2013 Tax Return

PERSONAL AND CONFIDENTIAL

Glen Farrow
Chief Financial Officer
St. Thomas Energy Inc.
135 Edward Street
St. Thomas ON N5P 4A8

Mr. Farrow,

Corporate Tax Return Filing Instructions

GRAHAM SCOTT ENNS LLP

Canada Revenue Agency / Agence du revenu du Canada

Code 1301

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) EXPENDITURES CLAIM

Use this form:
- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

To claim an ITC, use either:
- Schedule T2SCH31, *Investment Tax Credit – Corporations*, or
- Form T2038(IND), *Investment Tax Credit (Individuals)*.

The information requested in this form and documents supporting your expenditures are prescribed information.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, *Guide to Form T661*, which is available on our Web site: **www.cra.gc.ca/sred**.

Part 1 – General information

010 Name of claimant: St. Thomas Energy Inc.

Enter one of the following:

Business number (BN): 89052 2014 RC0001

Social insurance number (SIN):

Tax year
From: 2013-01-01 (Year Month Day)
To: 2013-12-31 (Year Month Day)

050 Total number of projects you are claiming this tax year: 1

100 Contact person for the financial information: Glen Farrow	**105** Telephone number/extension: (519) 631-5550	**110** Fax number:
115 Contact person for the technical information: Richard McDonald KPMG LLP	**120** Telephone number/extension: (519) 660-2136	**125** Fax number: (519) 672-5684

151 If this claim is filed for a partnership, was Form T5013 filed? . . . . 1 ☐ Yes 2 ☐ No

If you answered **no** to line 151, complete lines 153, 156 and 157.

153 Names of the partners	**156** %	**157** BN or SIN
1		
2		
3		
4		
5		

Part 2 - Project information

CRA internal form identifier 060
Code 1301

Complete a separate Part 2 for each project claimed this year.

Section A - Project identification

200 Project title (and identification code if applicable)

See schedule

Part 3 – Calculation of SR&ED expenditures

What did you spend on your SR&ED projects?

Section A – Select the method to calculate the SR&ED expenditures

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for this tax year.
I understand that my election is irrevocable (cannot be changed) for this tax year.

160 [X] I elect to use the proxy method
(Enter "0" on line 360. Complete Part 5 and you do not need to track any expenditure incurred for overhead)

162 [ ] I choose to use the traditional method
(Enter "0" on line 355. Complete line 360, and track any expenditure incurred for overhead)

Section B – Calculation of allowable SR&ED expenditures (to the nearest dollar)

• SR&ED portion of salary or wages of employees directly engaged in the SR&ED:			
a) Employees other than specified employees for work performed in Canada	300	+	19,113
b) Specified employees for work performed in Canada	305	+	
Subtotal (add lines 300 and 305)	306	=	19,113
c) Employees other than specified employees for work performed outside Canada (subject to limitations – see guide)	307	+	
d) Specified employees for work performed outside Canada (subject to limitations – see guide)	309	+	
• Salary or wages identified on line 315 in prior years that were paid in this tax year	310	+	
• Salary or wages incurred in the year but not paid within 180 days of the tax year end	315		
• Cost of materials consumed in performing SR&ED	320	+	
• Cost of materials transformed in performing SR&ED	325	+	
• Contract expenditures for SR&ED performed on your behalf:			
a) Arm's length contracts (see note 1)	340	+	61,474
b) Non-arm's length contracts (see note 1)	345	+	
• Lease costs of equipment used before 2014:			
a) All or substantially all (90% of the time or more) for SR&ED	350	+	
b) Primarily (more than 50% of the time but less than 90%) for SR&ED. (Enter 50% of lease costs if you use the proxy method or enter "0" if you use the traditional method)	355	+	
• Overhead and other expenditures (enter "0" if you use the proxy method)	360	+	
• Third-party payments (see note 2) (complete Form T1263*)	370	+	
Total current SR&ED expenditures (add lines 306 to 370; do not add line 315) (Corporations need to adjust line 118 of schedule T2SCH1)	380	=	80,587
• Capital expenditures for depreciable property available for use before 2014 (Do not include these capital expenditures on schedule T2SCH8)	390	+	
Total allowable SR&ED expenditures (add lines 380 and 390)	400	=	80,587

Section C – Calculation of pool of deductible SR&ED expenditures (to the nearest dollar)

Amount from line 400	420		80,587
Deduct			
• provincial government assistance for expenditures included on line 400	429	–	3,073
• other government assistance for expenditures included on line 400	431	–	
• non-government assistance for expenditures included on line 400	432	–	
• SR&ED ITCs applied and/or refunded in the prior year (see guide)	435	–	21,454
• sale of SR&ED capital assets and other deductions	440	–	
Subtotal (line 420 minus lines 429 to 440)	442	=	56,060
Add			
• repayments of government and non-government assistance that previously reduced the SR&ED expenditure pool	445	+	
• prior year's pool balance of deductible SR&ED expenditures (from line 470 of prior year T661)	450	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
• amount of SR&ED ITC recaptured in the prior year	453	+	
Amount available for deduction (add lines 442 to 453) (enter positive amount only, include negative amount in income)	455	=	56,060
• Deduction claimed in the year (Corporations should enter this amount on line 411 of schedule T2SCH1)	460	–	56,060
Pool balance of deductible SR&ED expenditures to be carried forward to future years (line 455 minus 460)	470	=	

* Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

Note 1 – For contract expenditures made after 2013, no amounts for purchasing or leasing capital property can be included.

Note 2 – For third-party payments made after 2013, no amounts for purchasing or leasing capital property can be included.

Part 4 – Calculation of qualified SR&ED expenditures for investment tax credit (ITC) purposes

The resulting amount is used to calculate your refundable and/or non refundable ITC.

Enter the breakdown between current and capital expenditures (to the nearest dollar)

	Line	Current Expenditures	Line	Capital Expenditures
Total expenditures for SR&ED (from lines 380 and 390)	492	80,587	496	
Add				
• payment of prior years' unpaid amounts (other than salary or wages)	500 +			
• prescribed proxy amount (complete Part 5) (Enter "0" if you use the traditional method)	502 +	11,305		
• expenditures on shared-use equipment for property acquired before 2014			504 +	
• qualified expenditures transferred to you (see note 3) (complete Form T1146**)	508 +		510 +	
Subtotal (add lines 492 to 508, and add lines 496 to 510)	511 =	91,892	512 =	
Deduct (see note 4)				
• provincial government assistance	513 –	3,582	514 –	
• other government assistance	515 –		516 –	
• non-government assistance and contract payments	517 –		518 –	
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	520 –			
• amounts paid in respect of an SR&ED contract to a person or partnership that is not a taxable supplier	528 –			
• 20% of expenditures included on lines 340 and 370 that were incurred after December 31, 2012	529 –	12,295		
• prescribed expenditures not allowed by regulations (see guide)	530 –		532 –	
• other deductions (see guide)	533 –		535 –	
• non-arm's length transactions				
– assistance allocated to you (complete Form T1145*)	538 –		540 –	
– expenditures for non-arm's length SR&ED contracts (from line 345)	541 –			
– adjustments to purchases (limited to costs) of goods and services from non-arm's length suppliers (see guide)	542 –		543 –	
– qualified expenditures you transferred (complete Form T1146**)	544 –		546 –	
Subtotal (line 511 minus lines 513 to 544 and line 512 minus lines 514 to 546)	557 =	76,015	558 =	
Qualified SR&ED expenditures (add lines 557 and 558)			559 =	76,015
Add				
• repayments of assistance and contract payments made in the year			560 +	
Total qualified SR&ED expenditures for ITC purposes (add lines 559 and 560)			570 =	76,015

* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

** Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

Note 3 – On line 510 (capital) – Only include expenditures made before 2014 by the transferor (performer). Complete the latest version of Form T1146.

Note 4 – On lines 514, 516, 518, 532, 535, 540, 543 and 546 – Only include amounts related to expenditures of a capital nature made before 2014.

Part 5 – Calculation of prescribed proxy amount (PPA)

A notional amount representing your overhead and other expenditures.

This part calculates the PPA to enter on line 502 in Part 4. Do not complete this part if you have chosen to use the traditional method in Part 3 (line 162).
You can only claim a PPA if you elected to use the proxy method for the year in Part 3 (line 160).

Special rules apply for specified employees. Calculate your salary base in Section A and the PPA in Section B.

Section A – Salary base

Salary or wages of employees other than specified employees (from lines 300 and 307)	810	+	19,113
Deduct			
Bonuses, remuneration based on profits, and taxable benefits that were included on line 810	812	–	271
Subtotal (line 810 minus 812)	814	=	18,842

Salary or wages of specified employees

850	852	854	856	858	860
Column 1	**Column 2**	**Column 3**	**Column 4**	**Column 5**	**Column 6**
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED) excluding bonuses, remuneration based on profits, and taxable benefits (to the nearest dollar)	% of time spent on SR&ED (maximum 75%)	Amount in column 2 multiplied by percentage in column 3	2,5 x A x B/365 A = Year's maximum pensionable earnings B = Number of days employed in tax year	Amount in column 4 or 5, whichever amount is less

(Enter total of column 6 on line 816)	816	+	
Salary base (total of lines 814 and 816)	818	=	18,842

Section B – Prescribed proxy amount (PPA)

Enter 65% of the salary base (line 818) less 5% of the salary base for the number of 2013 calendar days in the tax year, and less 10% of the salary base for number of days after 2013 in the tax year (use the formula in the guide-line 820)	820	=	11,305

Enter the amount from line 820 on line 502 in Part 4 unless the overall cap on PPA applies to you.

(See the guide for explanation and example of the overall cap on PPA)

Part 6 – Project costs

Information requested in this part must be provided for **all** SR&ED projects claimed in the year.
Expenditures should be recorded and allocated on a project basis.

750	752	754	756
Project title or identification code	Salary or wages in the tax year (Total of lines 306 to 309)	Cost of materials in the tax year (Total of lines 320 and 325)	Contract expenditures for SR&ED performed on your behalf in the tax year (Total of lines 340 and 345)
1. STE2010-01-04 Development of a Scalable Metering Networ	19,113		61,474
Total	19,113		61,474

Part 7 – Additional information

Expenditures for SR&ED performed by you in Canada (line 400 minus lines 307, 309, 340, 345, and 370) **605** 19,113

From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.

	Line	Canadian (%)	Line	Foreign (%)
Internal	600	100.000		
Parent companies, subsidiaries, and affiliated companies	602		604	
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	606			
Federal contracts	608			
Provincial funding	610			
SR&ED contract work performed for other companies on their behalf	612		614	
Other funding (e.g., universities, foreign governments)	616		618	

For statistical purposes indicate whether the work you performed falls within the realm of Basic or Applied research (to advance scientific knowledge) or Experimental development (to achieve a technological advancement):

620 [ ] Basic or Applied research **622** [X] Experimental development

Enter the number of SR&ED personnel in full-time equivalents (FTE):

	Line	
Scientists and engineers	632	
Technologists and technicians	634	
Managers and administrators	636	
Other technical supporting staff	638	

Part 8 – Claim checklist

To ensure your claim is complete, make sure you have:

1. used the current version of this form . . . X
2. entered the method you have chosen for reporting your SR&ED expenditures in Section A of Part 3 . . . X
3. completed Part 2 for each project . . . X
4. filed a completed Schedule T2SCH31 or Form T2038(IND) to claim ITCs on your qualified SR&ED expenditures . . . X
5. filed a completed Form T1145*, T1146**, T1174*** and/or T1263**** including any required attachments, if applicable . . . X

To expedite the processing of your claim, make sure you have:

1. completed Form T2, *Corporation Income Tax Return* or Form T1, *Income Tax and Benefit Return* . . . X
2. filed the appropriate provincial and/or territorial tax credit forms, if applicable . . . X
3. retained documents to support the SR&ED work performed and SR&ED expenditures you claimed . . . X
4. checked boxes 231 and 232 on page 2 of your T2 return to indicate attachment of Form T661 and Schedule T2SCH31 . . . X

* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

** Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

*** Form T1174, *Agreement Between Associated Corporations to Allocate Salary or Wages of Specified Employees for Scientific Research and Experimental Development (SR&ED)*

**** Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

Part 9 – Claim preparer information

Information requested in this part must be provided for each claim preparer that has accepted consideration to prepare or assist in the preparation of this SR&ED claim. Certification is required on lines 935, 970, and 975.

A $1000 penalty may be assessed if the information requested below about the claim preparer(s) and billing arrangement(s), is missing, incomplete, or inaccurate. Where a claim preparer has prepared or assisted in the preparation of this SR&ED form, the claimant and the claim preparer will be jointly and severally, or solidarily, liable for the penalty.

935 **Was a claim preparer engaged in any aspect of the preparation of this SR&ED claim?**

1. [X] Yes (complete the claim preparer information table and lines 970 and 975 below)

2. [ ] No (complete lines 970 and 975)

Claim preparer information table

940	945	950	955	960	965
Name of claim preparer (company or individual)	Business number	Billing arrangement code (see codes*)	Billing rate (percentage, hourly/daily rate or flat fee)	Other billing arrangement(s) (Maximum 10 words)	Total fee paid, payable, or expected to pay
1.					
				Total	

*** Billing arrangement codes**

Code	Type of billing arrangement
1	Contingency fee arrangement – where the fee is based on a percentage of the investment tax credit earned
2	Hourly rate
3	Daily rate
4	Flat fee arrangement (lump sum)
5	Other arrangements – describe the arrangement in box 960 in 10 words or less

970 I, Glen Farrow , certify that the information provided in this part is complete
Name of authorized signing officer of the corporation , or individual (print)
and accurate.

Signature

975 2014-06-26
Year Month Day

Part 10 – Certification

I certify that I have examined the information provided on this form and on the attachments and it is true, correct, and complete.

165 Glen Farrow
Name of authorized signing officer of the corporation, or individual

Signature

170
Date

175 KPMG LLP
Name of person/firm who completed this form

Part 2 - Project information (continued)

Project number **1**

CRA internal form identifier 060
Code 1301

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

STE2010-01-04 Development of a Scalable Metering Network

202 Project start date	**204** Completion or expected completion date	**206** Field of science or technology code (See guide for list of codes)
2010-04 (Year Month)	2014-04 (Year Month)	2.02.01 Electrical and electronic engineering

Project claim history

208 1 [X] Continuation of a previously claimed project

210 1 [ ] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes 2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

220 Names of the businesses	**221** BN
1	

Section B – Project descriptions

242 What scientific or technological uncertainties did you attempt to overcome – uncertainties that could not be removed using standard practice? (*Maximum 50 lines*)

St Thomas Energy Inc. (the Company or At Thomas Energy) is an electricity distribution company which delivers power to over 16,500 businesses and residents in St. Thomas, Ontario. St Thomas Energy sought to develop techniques that would enable the Company to efficiently control electric distribution within a real-time spatial framework. However, attaining the targeted capabilities could not be achieved by applying current engineering concepts due to technological challenges, such as the requirement for high data integrity and security, and the need to integrate a wide range of systems with disparate interfaces. As such, St Thomas Energy had to overcome the following obstacles in FY2013:

- St Thomas Energy sought to develop a generic geographical information management architecture that can flexibly integrate and interact with disparate legacy and future electrical and software sub-systems, such as Outage Management System (OMS), smart meters, CIS, SCADA, etc. However, the Company was uncertain about how to design a generic architecture capable of integrating with legacy field devices, such as sectionalizers and solid-state relays, and various software frameworks. In particular, straightforward integration poses a technological challenge since these legacy field devices either rely on proprietary communication protocols that were not designed to allow continual refreshing and reporting of their states in real-time, or lack an interface entirely which allows for seamless integration. Given the sheer size of data (e.g., graphical entities) and complex inter-relationships required to represent physical objects (e.g., feeders, transformers, etc.), existing off-the-shelf solutions could not be identified to resolve these challenges. For instance, no solution could reliably ensure that thousands of end-devices are properly connected spatially (e.g., phasing properly shown throughout the model) and that tracing carried out on various feeders can reliably pick up the actual routing of these feeders in the field.

244 What work did you perform **in the tax year** to overcome the scientific or technological uncertainties described in Line 242? (Summarize the systematic investigation or search) (*Maximum 100 lines*)

In FY2013, St Thomas Energy sought to develop a generic geographical information management architecture that can flexibly integrate and interact with disparate legacy and future electrical and software sub-systems. To this end, the Company attempted to extend the hybrid mapping platform developed in the prior FY for integration with the smart metering network. The underlying

244 What work did you perform **in the tax year** to overcome the scientific or technological uncertainties described in Line 242? (Summarize the systematic investigation or search) (*Maximum 100 lines*)

hypothesis was that flexibility and reliability could be achieved through the development of a consolidated reference framework. This framework would be the controller responsible for capturing data, representing target field devices and data querying among disparate sub-systems. In line with this approach, an interoperability layer was developed which provided for a generic interface to translate and disseminate field device events to existing and future sub-systems comprising the geo-referencing architecture. Furthermore, virtual control methodologies were developed to granularly monitor and update grid states and spatial events within topographic layers. However, in testing this approach, the Company observed inconsistencies between the layers comprising the architecture's electrical network schematics in comparison to those pertaining to geographic topography. In particular, trace algorithms to interpolate the routing of various feeders in the field were shown to be unreliable and could not accurately reflect field devices. Through further investigation, St Thomas Energy observed that these issues were attributed to changes occurring in the electrical network topology that could not be reliably detected by a strictly topographic model (e.g., circuit changes involving energized/non-energized states). To address this, the Company attempted to develop parametric extensions within the topographic layers to improve device state monitoring. In this case, the derivation of the underlying models involved consolidating data from disparate sources such as base-maps and component models, and the development of cross-referencing techniques to validate field device relationships while simultaneously eliminating redundancies. Further testing revealed, however, that this approach did not offer the reliability sought as tracing still could not be carried out accurately for all cases. Additionally, it was observed that the extensions for the topographic layers introduced overheads that degraded the architecture's performance to the order of minutes. Consequently, Ascent Energy concluded that the geographic topographical layers could not be used as a foundation to generically represent a power distribution network due to its inherent complexity. By the end of the FY, St Thomas Energy was attempting to re-design the geo-referencing architecture with a modular, state-based connectivity model not distinctively tied to the system's topographic layers. Additionally, in the upcoming FY, the Company plans to continue pursuing geo-coding techniques for reliable coordination between field entities such that accurate tracing could be achieved.

246 What scientific or technological advancements did you achieve as a result of the work described in Line 244? (*Maximum 50 lines*)

The work performed for this project represents a technological advancement in the fields of Electrical Engineering. Specifically, the work performed in FY2013 resulted in the following advancement:

- continued developing a generic geographical information management architecture that can flexibly integrate and interact with disparate legacy and future electrical and software sub-systems. In particular, a consolidated reference framework and interoperability layer were developed allowing for field device events to be translated and disseminated to existing and future sub-systems comprising the architecture. In addition, trace algorithms were developed to interpolate the routing of various feeders in the field. In failing to achieve reliable tracing, a re-design effort was undertaken towards the end of the FY for the development of a modular, state-based connectivity model independent of the architecture's topographic layers.

Section C – Additional project information

Who prepared the responses for Section B?

253 1 [X] Employee directly involved in the project	254 Name: Hubert, Brian		
255 1 [ ] Other employee of the company	256 Name:		
257 1 [X] External consultant	258 Name: KPMG LLP	259 Firm: KPMG LLP	

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	261 Qualifications/experience and position title
1	Hubert, Brian	Engineering Supervisor, C. Tech., with 35 years of experience
2	Karl, Ryan	Engineering Technologist, C. Tech. with 6 years of experience
3	Van Patter, Judy	Operations Coordinator, over 25 years of experience

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . . 1 [ ] Yes 2 [X] No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . . 1 [ ] Yes 2 [X] No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . . 1 [X] Yes 2 [ ] No

If you answered **yes** to line 267, complete lines 268 and 269.

	268 Names of individuals or companies	269 BN
1	KPMG LLP	NR
2		

What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- 270 1 [X] Project planning documents
- 271 1 [X] Records of resources allocated to the project, time sheets
- 272 1 [ ] Design of experiments
- 273 1 [ ] Project records, laboratory notebooks
- 274 1 [X] Design, system architecture and source code
- 275 1 [ ] Records of trial runs
- 276 1 [X] Progress reports, minutes of project meetings
- 277 1 [ ] Test protocols, test data, analysis of test results, conclusions
- 278 1 [ ] Photographs and videos
- 279 1 [ ] Samples, prototypes, scrap or other artefacts
- 280 1 [X] Contracts
- 281 1 [ ] Others, specify 282 ____

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 89052 2014 RC0001

Corporation's name

002 St. Thomas Energy 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.)

011 135 Edward Street

012

City	Province, territory, or state
015 St. Thomas	016 ON
Country (other than Canada)	Postal code/Zip code
017	018 N5P 4A8

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

023

City	Province, territory, or state
025	026
Country (other than Canada)	Postal code/Zip code
027	028

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.)

031 135 Edward Street

032

City	Province,territory, or state
035 St. Thomas	036 ON
Country (other than Canada)	Postal code/Zip code
037	038 N5P 4A8

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		2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203		3
Is the corporation claiming any type of losses?	204	X	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		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	X	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

	Line	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		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

	Line	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? 913910 Other Local, Municipal and Regional Public Administration

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	Energy	285	100.000 %
286		287	%
288		289	%

	Line	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

	Line			
Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.	300		497,166	A
Deduct: Charitable donations from Schedule 2	311			
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	390,284		
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		390,284 ▶	390,284	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")			106,882	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355			D
Taxable income (amount C **plus** amount D)	360		106,882	
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)			106,882	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 . . . . . 400 497,166 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 . . . . . 405 106,882 B

Business limit (see notes 1 and 2 below) . . . . . 410 125,000 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 125,000 x 415 ***** 70,479 / 11,250 D = ... 783,100 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*			106,882	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")			106,882	I

Amount I	106,882	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	106,882	x	Number of days in the tax year after December 31, 2011 / Number of days in the tax year	365 / 365	x 13 %	= 13,895	K

General tax reduction for Canadian-controlled private corporations – Amount J **plus** amount K . . . . . 13,895 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				106,882	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
				106,882	K
			x 26 2 / 3 % =	28,502	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		x 1 / 3 =		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	40,615	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	106,882		
Deduct:			
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Net amount	106,882 ►	106,882	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)		40,615	D

Deduct:

Small business deduction from line 430 on page 4			1		
Federal tax abatement	608	10,688			
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	13,895			
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	16,032			
Subtotal		40,615	►	40,615	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	6,081
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	10,000
Tax instalments paid	840	187,200
Total credits	890	203,281 ▶ 203,281 B

Refund code 894 1 Overpayment 203,281

Balance (amount A **minus** amount B) -203,281

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 A4980

Certification

I, 950 Farrow (Last name (print)) 951 Glen (First name (print)) 954 Chief Financial Officer (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 ________ Date (yyyy/mm/dd) ________ Signature of the authorized signing officer of the corporation 956 (519) 631-5550 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 Glen Farrow (Name (print)) 959 (519) 631-5550 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

Schedule of Instalment Remittances

Name of corporation contact

Telephone number

Effective interest date	Description (instalment remittance, split payment, assessed credit)	Amount of credit
	Instalments	187,200

Total amount of instalments claimed (carry the result to line 840 of the T2 Return) 187,200 **A**

Total instalments credited to the taxation year per T9 187,200 **B**

Transfer

	Account number	Taxation year end	Amount	Effective interest date	Description
From:					
To:					
From:					
To:					
From:					
To:					
From:					
To:					
From:					
To:					

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
St. Thomas Energy Inc.	89052 2014 RC0001	2013-12-31

Balance sheet information

Account	Description	GIFI		Current year	Prior year
	Assets				
	Total current assets	1599	+		
	Total tangible capital assets	2008	+		
	Total accumulated amortization of tangible capital assets	2009	–		
	Total intangible capital assets	2178	+		
	Total accumulated amortization of intangible capital assets	2179	–		
	Total long-term assets	2589	+		
	* Assets held in trust	2590	+		
	Total assets (mandatory field)	2599	=	34,812,209	34,517,287
	Liabilities				
	Total current liabilities	3139	+		
	Total long-term liabilities	3450	+		
	* Subordinated debt	3460	+		
	* Amounts held in trust	3470	+		
	Total liabilities (mandatory field)	3499	=	21,499,211	22,885,399
	Shareholder equity				
	Total shareholder equity (mandatory field)	3620	+	13,312,998	11,631,888
	Total liabilities and shareholder equity	3640	=	34,812,209	34,517,287
	Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849	=	5,598,572	3,917,462

* Generic item

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
St. Thomas Energy Inc.	89052 2014 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	+		
	Cost of sales	8518	–		
	Gross profit/loss	8519	=		
	Cost of sales	8518	+		
	Total operating expenses	9367	+	34,494,561	36,989,491
	Total expenses (mandatory field)	9368	=	34,494,561	36,989,491
	Total revenue (mandatory field)	8299	+	36,170,899	37,281,856
	Total expenses (mandatory field)	9368	–	34,494,561	36,989,491
	Net non-farming income	9369	=	1,676,338	292,365
	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	=	1,676,338	292,365
	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	–	-5,672	118,551
	Future (deferred) income tax provision	9995	–	31,300	
	Total – Other comprehensive income	9998	+		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999	=	1,650,710	173,814

Canada Revenue Agency / Agence du revenu du Canada

Schedule 141

Notes checklist

Corporation's name	Business number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 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 [X] 2 No [ ]

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.

T2 BAR CODE RETURN

Name: St. Thomas Energy Inc.

BN: 89052 2014 RC 0001
Tax Year Start: 2013-01-01
Tax Year End: 2013-12-31

1. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Part V of the CICA Handbook which is the accounting framework that the financial statements were prepared in the prior year.

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt international Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) has permitted rate-regulated entities to defer their IFRS implementation until January 1, 2015.

2. NATURE OF BUSINESS

St. Thomas Energy Inc. (the Corporation) is incorporated under the Business Corporations Act (Ontario) on November 3, 2000 and is wholly owned by Ascent Group Inc.

The principal business of St. Thomas Energy Inc. is the transmission and distribution of electricity to customers within the St. Thomas area and the business is primarily regulated by the Ontario Energy Board (OEB).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the financial statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Accounting Estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from estimates, in particular including changes as a result of future decisions made by the OEB. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

In particular, the corporation uses estimates when accounting for certain items, including:

Allowance for doubtful accounts
Net realizable value of inventory
Useful lives of tangible assets
Useful lives of intangible assets
Unbilled revenue
Regulatory accounts
Future income taxes
Income taxes
Tax contingencies
Revenues
Employee compensation plans
Employee benefit plans

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water Accounts Receivable

Water and sewer accounts receivable are maintained by the corporation on behalf of the City of St. Thomas.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined at laid down cost using an average cost basis.

Revenue Recognition

Hydro power revenue is recorded based on OEB-approved distribution rates and is recognized as electricity is delivered to customers, on the basis of cyclical billings. Unbilled revenue is based on estimates of customer usage from the last meter reading to the end of the year. The purchase of hydro power is recorded in the month to which it relates. Other revenues, which include revenues from electricity distribution related services are recognized as the services are performed.

Financial Instruments

At inception, all financial instruments which meet the definition of a financial asset or financial liability are recorded at fair market value, unless fair value cannot be reliably determined. Gains and losses related to the measurement of financial instruments are reported in statement of operations. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the corporation. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

The following summarizes the accounting classification the corporation has elected to apply to each of its significant categories of financial instruments:

Cash	Held for trading
Due to related parties	Loans and receivables
Accounts receivable and unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Customer deposits	Other financial liabilities
Term loan and notes payable	Other financial liabilities

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Accounting

The distribution rates of the corporation are based on a revenue requirement that provides a regulated Maximum Allowable Return on Equity ("MARE") on the amount of the shareholder's equity supporting the business of the electricity distribution, which is also determined by regulation. The corporation files a rate application with the OEB annually. Rates are typically effective May 1 to April 30 of the following year. Accordingly, for the first four months of the year, distribution revenue is based on the rate approved from the previous year. Once every four years, the corporation files an Electricity Distribution Rate application ("EDR") where rates are rebased through a cost of service review.

Name: St. Thomas Energy Inc.

BN: 89052 2014 RC 0001
Tax Year Start: 2013-01-01
Tax Year End: 2013-12-31

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. A cost of service EDR application is based on a forecast of the amount of operating and capital expenses, debt and shareholder's equity required to support the corporation's business. An IRM application results in a formula based adjustment to distribution rates to increase distribution rates for annual change in the GDP IPI-FDD net of a productivity factor and a "Stretch Factor" determined by the relative efficiency of an electricity distributor.

The corporation's last cost of service EDR application was made in 2011 and approved on July 28th with rates effective July 1, 2011. Such decision provided for service distribution revenue requirement and rate base of $6,210,464 and $23,877,673 respectively. The above amount does not include provision for the investment of the corporation in the Smart Meter Initiative. The corporation was given approval December 19th with an effective date of January 3, 2013 for the Smart Meter Initiative rate base inclusion.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated corporation. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the corporation has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the corporation been unregulated. The corporation continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates.

If, at some future date, the corporation judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in that period that the assessment is made. Specific regulatory assets and liabilities are disclosed in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four year period commencing January 1, 2011. The corporation's CDM targets include a demand reduction target of 3.94 MW and a consumption reduction target of 14,920 MWh. LDCs must also comply with a new CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of the LDC-specific CDM targets, annual accounting and reporting to the OEB, and eligibility criteria for performance incentive payments. The corporation has filed its CDM Strategy with the OEB.

Pension Agreements

The corporation makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay.

Property, Plant & Equipment

Property, plant & equipment are stated at cost and are amortized on the straight-line basis over their estimated service lives. No amortization is provided for construction in progress or major spare parts.

The amortization rates are as follows:

	Life Years	Rate
Buildings	60	1.7%
Distribution system	40 - 60	1.7% - 2.5%
Transformers	40	2.5%
Meters	15 - 30	3.3% - 6.7%
Substations	40 - 45	2.2% - 2.5%
Graphical information system	15	6.7%
Rolling stock	5 - 14	7.1% - 20.0%
Mobile substations	15	6.7%
Miscellaneous equipment	10	10.0%
Computer hardware and software	5 - 10	10.0% - 20.0%

When non-grouped capital assets are sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings. Grouped capital assets are, by their nature not readily identifiable as individual assets.
The related cost and accumulated amortization is therefore removed from the

respective accounts at the end of their estimated useful life regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions to Property, Plant and Equipment

Contributions are received from developers and contractors for capital costs incurred by the corporation. These contributions are included as a reduction to the cost of the related property, plant or equipment when those assets are placed in service.

Corporate Income and Capital Taxes

Under the Electricity Act, 1998, St. Thomas Energy Inc. is required to make payments in lieu of corporate taxes to Ontario Electric Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable or payable from/to the OEFC.

Future Income Taxes

Future income taxes are provided for using the liability method and are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Future income tax liabilities are generally recognized on all taxable temporary differences and future tax assets are recognized to the extent that it is more likely than not that they be realized from taxable profits available against which deductible temporary differences can be utilized.

Future income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Future income taxes are charged or credited to the statement of operations.

The carrying amount of future income tax assets is reviewed at each balance sheet date and reduced to the extent that all or part of the future income tax assets have not met the more likely than not criterion. Previously unrecognized future income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more likely than not of being recovered from future taxable profits.

Effective January 1, 2009, the corporation adopted the changes to CICA Handbook Section 3465 - Income Taxes, which states that, as a rate regulated entity, future income tax assets will be returned to customers as they are recovered. As a result, all increases and decreases in future income tax assets are offset by a regulatory liability.

4. PREPAIDS 2013 2012

$ $

Prepaid interest on Note Payable to City of St. Thomas (note 11) 332,663 506,952

Rate rebasing costs 123,476 246,952

Prepaid annual credit review fees (note 11) 63,480 96,600

Other 119,714 118,626

639,333 969,130

Less: current portion (395,933) (390,171)

243,400 578,959

5. REGULATORY ASSETS AND LIABILITIES 2013 2012

$ $

Regulatory assets consist of the following:

Smart meters (note 18) - -

Other regulator variance accounts 166,839 159,411

Retail settlement variance accounts subsequent to December 31, 2008 - -

166,839 159,411

Regulatory liabilities consist of the following:

Retail settlement variance accounts prior to January 1, 2009 128,439

312,137

Retail settlement variance accounts for the 2009 calendar year (45,824)

(52,256)

Retail settlement variance accounts for the 2010 calendar year (22,338)

333,010

Retail settlement variances 469,226 388,342

Regulatory future income tax liability 1,313,015 1,624,150

1,842,518 2,605,383

Less: current portion 60,277 592,891

1,782,241 2,012,492

Retail settlement variances represent amounts accumulated since January 1, 2011. These variances are comprised of variances between amounts charged by the Independent Electricity Market Operator and amounts billed to customers plus variances from settlement and transmission charges. In the absence of the rate regulation , these costs (revenues) would be charged to the period incurred.

The OEB approved a Rate Order on March 29, 2010, effective May 1, 2010. This Order included, in part, costs related to smart meters and Group 1 Deferral and Variance Accounts up to December 31, 2008.

The OEB approved a Rate Order on July 28, 2011, effective July 1, 2011. This Order included, in part, costs related to Group 1 Deferral and Variance Accounts up to December 31, 2009.

5. REGULATORY ASSETS AND LIABILITIES (CONTINUED)

The OEB approved a Rate Order on April 19, 2012, effective May 1, 2012. This Order included, in part, costs related to Group 1 Deferral and Variance Accounts up to December 31, 2010.

Regulatory Future Income Tax Asset and Liability

Future income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The corporation has recognized regulatory assets and liabilities which correspond to future income taxes that flow through the rate-making process. In the absence of rate regulated accounting, the corporation's provision for PILs would have been recognized using the liability method and there would be no regulatory accounts set up for taxes to be recovered through future rates.

6. PROPERTY, PLANT & EQUIPMENT Accumulated

Cost	Amortization	2013	2012
$	$	$	$

Land 181,826 - 181,826 181,826

Buildings 2,396,552 970,946 1,425,606 1,449,768

Distribution system 22,565,166 11,476,906 11,088,260

10,642,181

Transformers 7,870,706 4,747,047 3,123,659 3,303,927

Meters 5,282,127 2,333,211 2,948,916 3,177,105

Substations 8,354,406 4,448,812 3,905,594 3,717,950

Rolling stock 625,099 99,282 525,817 339,059

Mobile substations 207,111 27,615 179,496 193,303

Miscellaneous equipment 214,847 47,754 167,093 159,744

Computer hardware and software 851,793 303,977 547,816 495,624

Graphical information system 467,702 57,707 409,995 371,381

Major spare parts 441,032 - 441,032 555,502

Construction in progress 88,742 - 88,742 114,689

49,547,109 24,072,225 25,033,852 24,702,059

Related party transaction adjustment - - - -

49,547,109 24,072,225 25,033,852 24,702,059

{N#}. CUSTOMER DEPOSITS 2013 2012

	$	$
Customer deposits	353,120	333,495
Less: current portion	-	-
	353,120	333,495

7. EMPLOYEE RETIREMENT BENEFIT LIABILITIES

Employee future benefits are liabilities of the corporation to its employees for benefits provided to retirees until they reach 65 years of age as at December 31, 2013. The last actuarial review was completed as at December 31, 2011. The significant assumptions are as follows:

Consumer Price Index	2.00%
Discount rate	4.50%
Assumed salary increase per annum	3.30%
Healthcare cost increase	5.00% - 6.13%
Average retirement age	57 years

For above assumptions and below current year breakdown, see KK 4-2 and KK 4-3

	2013	2012
	$	$
Accrued benefit obligation, January 1	1,234,948	-
Balance transferred from related party reflecting movement of employees	-	1,213,561

Actuarial gain (162,204) -

Current service cost 31,918 37,004

Interest cost 58,240 57,742

Benefits paid for the year (81,529) (73,359)

Accrued benefit obligation, December 31 1,081,373 1,234,948

Less: current portion 90,168 94,756

991,205 1,140,192

1,081,373

The amount contributed to OMERS for 2013 was $195,528 (2012- $175,020) for current services.

8. BANK LOAN PAYABLE 2013 2012

$ $

Term note - Bank of Nova Scotia, repayable in blended monthly instalments of $4,513, prime plus 1.6% due December 2013, specifically secured by a vehicle. - 52,549

Less: current portion - 52,549

\- -

Interest expense for the year on bank loan payable was $1,321 (2012-$3,476).

9. BANK OF NOVA SCOTIA FACILITY

The corporation's banking facilities with the Bank of Nova Scotia are arranged through a credit facility for the corporation's sole shareholder, Ascent Group Inc., encompassing borrowing facilities for all its subsidiary corporations.

Under the facility, the corporation has access to the following available credit facilities:
(1) Operating line of $11,000,000, by way of lines of credit, bearing interest at bank prime plus 0.25% (3.25% at December 31, 2013) or by way of bankers acceptances;
(2) 364 Revolving Term Facility of $10,000,000, convertible to non-revolving 2 year term debt provided no event of default has occurred.
Interest is payable at bank prime plus 0.55% per annum (3.55% at December 31, 2013) or can be fixed at market rates. In addition, the interest rate on debt of up to $7,000,000 (cumulative) can be fixed by way of interest rate swap at market rates;
(3) Scotia Lease of $17,912
(4) Standby Letter of Credit facility (available only for the Independent Electricity System Operator commitment from St. Thomas Energy Inc.) (see note 15).

The corporation has provided to the Bank of Nova Scotia a limited guarantee, not to exceed 25% of the corporation's equity, towards the above facilities, secured by a general security agreement over all present and future personal property with appropriate insurance coverage. As at December 31, 2013 the maximum guarantee for the corporation would be $3,316,045.

As at December 31, 2013, the following amounts were drawn on the facilities by Ascent Group Inc. and its subsidiary corporations, for which the corporation has provided a limited guarantee:

Operating Line $8,068,350
Standby Letters of Credit $-
364 Revolving Term Facility $9,747,880
Scotia Leas $-

10. TERM LOAN 2013 2012
$ $

364 Day Term Loan - Bank of Nova Scotia 3,500,000 3,500,000

The above amounts were borrowed under the 364 Day Revolving Term Facility (note 9), and bear interest at bank prime (3.00% as at December 31, 2013) plus 0.55% per annum with interest payable monthly.
The principal may be drawn, repaid and redrawn at any time until August 1, 2013. At that time the corporation may elect to convert the loan to 2 year non-revolving term debt. If the corporation does elect to convert the loan, principal repayment of $197,400 will be due in 2013 and the remaining balance of $3,302,600 will come due in 2014.
Interest expense incurred on the term loan during 2013 was $- (2012 - $145,301)

11. PROMISSORY NOTE PAYABLE TO CITY OF ST. THOMAS

	2013	2012
	$	$
Promissory note payable	7,714,426	7,714,426

The promissory note is payable to the City of St. Thomas, bears interest at 9% per annum, and is unsecured. Interest is payable monthly. The principal balance is due on the earlier of November 15, 2015 (the maturity date) and the date which is 366 days from a written demand from the City for repayment.

The corporation was required under the terms of the note to pre-pay interest equal to 2.25% per annum in respect of each year of the term of the note.

In 2013 St. Thomas Energy Inc. paid the City of St. Thomas $520,724 of interest costs. Total interest expense related to the promissory note payable in 2013 was $727,407 which consisted of prepaid interest and financing costs expensed of $206,683 in addition to the $520,724 paid to the City of St. Thomas.

12. SHARE CAPITAL 2013 2012

$ $

Authorized Capital:

Unlimited common shares

Issued Capital:

5,000	Class A preference shares	-	-
1,700	Class B preference shares	-	-
1,001	Common shares	7,714,426	7,714,426

13. CURRENT PORTION OF LONG-TERM LIABILITIES 2013 2012

$ $

Current portion of regulatory accounts (Note 5) 60,277 592,891

Current portion of customer deposits (Note {N#}) - -

Current portion of employee retirement liabilities (Note 7) 90,168

94,756

Current portion of bank loan payable (Note 8) - 52,549

150,445 740,196

14. RELATED PARTY TRANSACTIONS

During the year, the corporation had business transactions with Ascent Energy Services Inc., Ascent Solutions Inc., Ascent Group Inc., and the City of St. Thomas.

The particulars of these transactions and balances owing from or to these corporations for the years ended December 31, were as follows:

2013 2012

Transactions during the year: $ $

Name: St. Thomas Energy Inc.

BN: 89052 2014 RC 0001

Tax Year Start: 2013-01-01

Tax Year End: 2013-12-31

Service revenue transactions during the year:

Ascent Solutions Inc. 47,405 36,499

City of St. Thomas 296,184 306,065

Ascent Energy Services Inc.

Purchase of capitalized items - -

Purchased services - 208,188

Interest earned on intercompany loan - -

Building rental payments received - -

Source: LS 21.1 + LS 21.4 in Services

Ascent Group Inc.

Management service fee 456,289 760,870

Interest paid on long-term debt 149,952 145,301

Dividends paid - 250,000

City of St. Thomas

Interest paid on long-term debt 520,724 520,724

Balances at end of year:

Amounts due from Ascent Group Inc. (146,382) (29,385)

Amounts due to (from) Ascent Energy Services Inc. 14,035 (8,314)

Amounts due from Ascent Solutions Inc. 28,511 (18,120)

(103,836) (55,819)

Amounts due to the City of St. Thomas 2,122,531 2,063,300

During the year, the corporation sold a vehicle to a related corporation. As this transaction was outside the normal course of operations, the gain on the sale of vehicle of $30,400 has been recorded in retained earnings.

15. COMMITMENTS

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if St. Thomas Energy Inc. fails to make a payment required by a default notice issued by the IMO. As at December 31, 2013, the Corporation provided prudential support of $2,112,910.

16. CONTINGENT LIABILITIES

The corporation has made guarantees on the corporate group's lending facilities. See note 9.

17. PROVISION FOR PAYMENT IN LIEU OF TAXES 2013 2012
$ $

Income before provision for PIL's 1,718,504 292,365
Combined rate of federal and provincial income tax 26.50% 26.50%

Provision for PIL's at statutory rate 455,404 77,477

Increase (decrease) resulting from:

Federal and provincial tax credits (29,799) (18,675)

Finance fee timing difference (11,925) (11,925)

Excess of CCA over amortization (266,481) (182,383)

Change in non deductible employee retirement benefit reserve (40,697)

5,668

(Utilization) carry forward of losses for tax purposes (103,425)

103,425

Other (2,952) 7,740

Total income tax provision for PILs 125 (18,673)

Current tax portion 125 (18,673)

Future tax provision 116,488 137,224

116,613 118,551

116,613 118,551

The current income tax provision (recovery) for PILs represents the amount

(recoverable) payable to the OEFC with respect to current year earnings.

Future Income Tax Assets and Liabilities

Payments in lieu of future income tax assets and liabilities arise from

differences between the carrying amounts and tax bases of the corporation's

assets and liabilities. The tax effects of these differences are as follows:

2013 2012

$ $

Future Income Tax Assets 1,324,940 1,752,563

18. SMART METER COMMITMENT

On July 16, 2004, the Minister of Energy asked the Ontario Energy Board (OEB) to develop an implementation plan to achieve the Government of Ontario s smart meter targets for electricity: 800,000 smart meters installed by December 31, 2007 and installation of smart meters for all Ontario customers by December 31, 2010. Smart meters will provide customers with consumption information that will allow them to manage their demand for electricity. This is expected to result in more efficient use of Ontario s existing supply of electricity and reduce reliance on external sources.

18. SMART METER COMMITMENT (CONTINUED)

St .Thomas Energy Inc. has installed smart meters for all of its customers. The corporation received approval for inclusion of the smart meters in the rate base on December 13, 2012 with an effective date of January 1, 2013. The corporation has moved the smart meter costs from the regulator accounts to the capital accounts as at December 31, 2012 in preparation for the January 1 implementation date even though the official rate order was dated January 3, 2013 with an effective date of January 1.

19. CHANGES IN NON-CASH WORKING CAPITAL

Accounts receivable	(68,194)	(218,114)
Unbilled revenue	(697,533)	31,079
Prepaid expenses	329,797	389,324
Inventory	8,589	434,340

Accounts payables and accrued liabilities	340,467	322,213
Due to City of St. Thomas	59,231	102,910
Regulatory assets and liabilities	(31,536)	2,734,395
Payment in lieu of income taxes paid	94,954	(237,491)
Customer deposits	19,625	(63,256)
	55,400	3,495,400

20. CAPITAL DISCLOSURES

The corporation's objectives when managing capital are to safeguard the corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The corporation's capital is comprised of payable to related parties, common shares and retained earnings.

The corporation manages it capital and makes adjustments to it in light of economic conditions. The corporation will balance its overall capital structure through the payment of dividends, the repayment of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The corporation's borrowing are undertaken through a banking facility in place for its parent corporation Ascent Group Inc. That facility is subject to a number of financial covenant restrictions typically associated with long-term debt, which are based on the consolidated financial results of Ascent Group Inc. As at December 31, 2013, Ascent Group Inc. is in compliance with all of its financial covenants and limitations. TO CONFIRM!

21. NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

International Financial Reporting Standards

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt International Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) has permitted organizations with rate regulated activities (RRA) to defer their adoption of IFRS up until fiscal periods beginning on or after January 1, 2015.

As such, the corporation will apply IFRS to its financial statements ending December 31, 2015 with restatement of the amounts recorded on the opening IFRS balance sheet as at January 1, 2014, for comparative purposes. The corporation continues to assess the impact of conversion to IFRS on its results of operations. The effect on the corporation's future financial position and results of operations are not estimable at this time.

22. FINANCIAL INSTRUMENTS

As a rate-regulated entity, the nature of the corporation's operations are defined and restricted by regulation. Financial operations and risks are also substantially influenced by regulation, limiting the necessity to engage in risk mitigation strategies involving the use of derivatives or hedges, and the corporation did not engage in those activities during the year.

The corporation has adopted CICA Handbook Section 3861 - Financial Instruments for disclosure purposes as the Corporation's financial instruments are not subject to disclosure requirements under Section 3862 or 3863 of the CICA Handbook.

Credit risk

By regulation, the corporation is responsible for collecting both distribution and energy portions of the electricity bill. In general terms, the energy portion of the bill is four to five times larger than the distribution portion. Unless the retailer elects to bill the customer directly for the energy portion of the bill, the corporation is exposed to a credit risk substantially greater then their portion of the electricity bill.

Mitigation of substantial losses is provided through the opportunity to apply for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The corporation does not have any significant exposure to any individual customer. The corporation may require payment guarantees, such as a letter of credit or customer deposits. Due to a large number of customers, the corporation does not believe that it is subject to any significant concentration of credit risk.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

The carrying value of accounts receivable, prepaids, and accounts payable approximate their fair values due to the near-term maturity of these instruments. The carrying value of amounts due to related parties may not approximate fair value as there are no specific terms of repayment.

Interest rate risk

The corporation is exposed to interest rate risk for certain of its financial assets and liabilities, including its term loan, promissory note and operating loan (Note 10 and 11). These borrowings may expose the corporation to fluctuations in short-term interest rates, borrowings in the form of prime rate loans in Canadian dollars, bankers' acceptances and letter of credit.

23. COMPARATIVE FIGURES

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

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
St. Thomas Energy Inc.	89052 2014 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			1,650,710	A
Add:				
Provision for income taxes – current	101	-5,672		
Provision for income taxes – deferred	102	31,300		
Amortization of tangible assets	104	1,081,077		
Scientific research expenditures deducted per financial statements	118	80,587		
Reserves from financial statements – balance at the end of the year	126	1,081,373		
Subtotal of additions		2,268,665 ▶	2,268,665	
Other additions:				
Miscellaneous other additions:				
603 Inducement - ITA 12(1)(x): 760				
Total 760	293	760		
604				
Total	294			
Subtotal of other additions	199	760 ▶	760	
Total additions	500	2,269,425 ▶	2,269,425	B
Amount A **plus** amount B			3,920,135	
Deduct:				
Capital cost allowance from Schedule 8	403	2,086,961		
SR&ED expenditures claimed in the year from Form T661 (line 460)	411	56,060		
Reserves from financial statements – balance at the beginning of the year	414	1,234,948		
Subtotal of deductions		3,377,969 ▶	3,377,969	
Other deductions:				
Miscellaneous other deductions:				
704 20 (1)(e) deduction on $225,000 finance fees: 45,000				
Total 45,000	394	45,000		
Subtotal of other deductions	499	45,000 ▶	45,000	
Total deductions	510	3,422,969 ▶	3,422,969	
Net income (loss) for income tax purposes – enter on line 300 of the T2 return			497,166	

T2 SCH 1 E (12)

Canada

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. . . . . ☐

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	
X	Ontario co-operative education tax credit	8,675
X	Ontario apprenticeship training tax credit	10,000
	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 4

Corporation Loss Continuity and Application

Corporation's name	Business number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 RC0001	2013-12-31

- Use this form to determine the continuity and use of available losses; to determine a current-year non-capital loss, farm loss, restricted farm loss, or limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that can be applied in a year; and to ask for a loss carryback to previous years.
- A corporation can choose whether or not to deduct an available loss from income in a tax year. The corporation can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- According to subsection 111(4) of the *Income Tax Act*, when control has been acquired, no amount of capital loss incurred for a tax year ending before that time is deductible in computing taxable income in a tax year ending after that time. Also, no amount of capital loss incurred in a tax year ending after that time is deductible in computing taxable income of a tax year ending before that time.
- When control has been acquired, subsection 111(5) provides for similar treatment of non-capital and farm losses, except as listed in paragraphs 111(5)(a) and (b).
- For information on these losses, see the *T2 Corporation – Income Tax Guide.*
- File one completed copy of this schedule with the T2 return, or send the schedule by itself to the tax centre where the return is filed.
- All legislative references are to the federal *Income Tax Act*.

Part 1 – Non-capital losses

Determination of current-year non-capital loss

Net income (loss) for income tax purposes			497,166	A
Deduct: (increase a loss)				
Net capital losses deducted in the year (enter as a positive amount)		a		
Taxable dividends deductible under section 112 or subsection 113(1) or 138(6)		b		
Amount of Part VI.1 tax deductible		c		
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)		d		
Subtotal (total of amounts a to d)		►		B
Subtotal (amount A **minus** amount B; if positive, enter "0")				C
Deduct: (increase a loss)				
Section 110.5 or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions				D
Subtotal (amount C **minus** amount D)				E
Add: (decrease a loss)				
Current-year farm loss (whichever is less: the net loss from farming or fishing included in the income, or the non-capital loss before deducting the farm loss)				F
Current-year non-capital loss (amount E **plus** amount F; if positive, enter "0")				G

If amount G is negative, enter it on line 110 as a positive.

Continuity of non-capital losses and request for a carryback

Non-capital loss at the end of the previous tax year		390,284	e		
Deduct: Non-capital loss expired*	100		f		
Non-capital losses at the beginning of the tax year (amount e **minus** amount f)	102	390,284	►	390,284	H
Add:					
Non-capital losses transferred on an amalgamation or the wind-up of a subsidiary corporation	105		g		
Current-year non-capital loss (from amount G)	110		h		
Subtotal (amount g **plus** amount h)			►		I
Subtotal (amount H **plus** amount I)				390,284	J

* A non-capital loss expires as follows:
- after **7** tax years if it arose in a tax year ending before March 23, 2004;
- after **10** tax years if it arose in a tax year ending after March 22, 2004, and before 2006; and
- after **20** tax years if it arose in a tax year ending after 2005.

An allowable business investment loss becomes a net capital loss as follows:
- after **7** tax years if it arose in a tax year ending before March 23, 2004; and
- after **10** tax years if it arose in a tax year ending after March 22, 2004.

Part 1 – Non-capital losses (continued)

Deduct:

Other adjustments (includes adjustments for an acquisition of control)	150		i		
Section 80 – Adjustments for forgiven amounts	140		j		
Subsection 111(10) – Adjustments for fuel tax rebate			j.1		
Non-capital losses of previous tax years applied in the current tax year Enter amount k on line 331 of the T2 return.	130	390,284	k		
Current and previous year non-capital losses applied against current-year taxable dividends subject to Part IV tax**	135		l		
Subtotal (total of amounts i to l)		390,284	▶	390,284	K
Non-capital losses before any request for a carryback (amount J **minus** amount K)					L

Deduct – Request to carry back non-capital loss to:

First previous tax year to reduce taxable income	901		m		
Second previous tax year to reduce taxable income	902		n		
Third previous tax year to reduce taxable income	903		o		
First previous tax year to reduce taxable dividends subject to Part IV tax	911		p		
Second previous tax year to reduce taxable dividends subject to Part IV tax	912		q		
Third previous tax year to reduce taxable dividends subject to Part IV tax	913		r		
Total of requests to carry back non-capital losses to previous tax years (total of amounts m to r)			▶		M
Closing balance of non-capital losses to be carried forward to future tax years (amount L **minus** amount M)	180				N

** Amount l is the total of lines 330 and 335 from Schedule 3, *Dividends Received, Taxable Dividends Paid, and Part IV Tax Calculation*.

Part 2 – Capital losses

Continuity of capital losses and request for a carryback

Capital losses at the end of the previous tax year	200		a		
Capital losses transferred on the amalgamation or the wind-up of a subsidiary corporation	205		b		
Subtotal (amount a **plus** amount b)			▶		A
Deduct:					
Other adjustments (includes adjustments for an acquisition of control)	250		c		
Section 80 – Adjustments for forgiven amounts	240		d		
Subtotal (amount c **plus** amount d)			▶		B
Subtotal (amount A **minus** amount B)					C
Add: Current-year capital loss (from the calculation on Schedule 6, *Summary of Dispositions of Capital Property*)	210				D
Unused non-capital losses that expired in the tax year*			e		
Allowable business investment losses (ABIL) that expired as non-capital losses in the tax year**			f		
Enter amount e or f, whichever is less	215				
ABILs expired as non-capital loss: line 215 **divided** by 0.500000	220				E
Subtotal (total of amounts C to E)					F

Note
If there has been an amalgamation or a windup of a subsidiary, do a separate calculation of the ABIL expired as non-capital loss for each predecessor or subsidiary. Add all these amounts and enter the total on line 220 above.

* If the losses were incurred in a tax year ending before March 23, 2004, enter the losses from the 8th previous tax year. If the losses were incurred in a tax year ending after March 22, 2004, and before 2006, enter the losses from the 11th previous tax year. Enter the losses from the 21st previous tax year if the losses were incurred in a tax year ending after 2005. Enter the part that was not used in previous years and the current year on line e.

** If the losses were incurred in a tax year ending before March 23, 2004, enter the losses from the 8th previous tax year. If the losses were incurred in a tax year ending after March 22, 2004, enter the losses from the 11th previous tax year. Enter the full amount on line f.

Part 2 – Capital losses (continued)

Deduct: Capital losses from previous tax years applied against the current-year net capital gain*** . . . . **225** ____ G

Capital losses before any request for a carryback (amount F **minus** amount G) ____ H

Deduct – Request to carry back capital loss to****:

	Capital gain (100%)		Amount carried back (100%)	
First previous tax year		951		g
Second previous tax year		952		h
Third previous tax year		953		i
Subtotal (total of amounts g to i)				► ____ I

Closing balance of capital losses to be carried forward to future tax years (amount H **minus** amount I) **280** ____ J

*** To get the net capital losses required to reduce the taxable capital gain included in the net income (loss) for the purpose of current-year tax, enter the amount from line 225 **multiplied** by 50% on line 332 of the T2 return.

**** On line 225, 951, 952, or 953, whichever applies, enter the actual amount of the loss. When the loss is applied, **multiply** this amount by the 50% inclusion rate.

Part 3 – Farm losses

Continuity of farm losses and request for a carryback

Farm losses at the end of the previous tax year			a	
Deduct: Farm loss expired*	300		b	
Farm losses at the beginning of the tax year (amount a **minus** amount b)	302		►	A
Add:				
Farm losses transferred on the amalgamation or the windup of a subsidiary corporation	305		c	
Current-year farm loss (amount F in Part 1)	310		d	
Subtotal (amount c **plus** amount d)			►	B
Subtotal (amount A **plus** amount B)				C
Deduct:				
Other adjustments (includes adjustments for an acquisition of control)	350		e	
Section 80 – Adjustments for forgiven amounts	340		f	
Farm losses of previous tax years applied in the current tax year Enter amount g on line 334 of the T2 return.	330		g	
Current and previous year farm losses applied against current-year taxable dividends subject to Part IV tax**	335		h	
Subtotal (total of amounts e to h)			►	D
Farm losses before any request for a carryback (amount C **minus** amount D)				E
Deduct – Request to carry back farm loss to:				
First previous tax year to reduce taxable income	921		i	
Second previous tax year to reduce taxable income	922		j	
Third previous tax year to reduce taxable income	923		k	
First previous tax year to reduce taxable dividends subject to Part IV tax	931		l	
Second previous tax year to reduce taxable dividends subject to Part IV tax	932		m	
Third previous tax year to reduce taxable dividends subject to Part IV tax	933		n	
Subtotal (total of amounts i to n)			►	F
Closing balance of farm losses to be carried forward to future tax years (amount E **minus** amount F)	380			G

* A farm loss expires as follows:
- after **10** tax years if it arose in a tax year ending before 2006; and
- after **20** tax years if it arose in a tax year ending after 2005.

** Amount h is the total of lines 340 and 345 from Schedule 3.

Part 4 – Restricted farm losses

Current-year restricted farm loss

Total losses for the year from farming business	485			A
Minus the deductible farm loss:				
(amount A above ______ – $2,500) **divided** by 2 = ______ a				
Amount a or $ 15,000 *, whichever is less			b	
		2,500	c	
Subtotal (amount b **plus** amount c)		2,500	▶	2,500 B
Current-year restricted farm loss (amount A **minus** amount B)				C

Continuity of restricted farm losses and request for a carryback

Restricted farm losses at the end of the previous tax year			d	
Deduct: Restricted farm loss expired**	400		e	
Restricted farm losses at the beginning of the tax year (amount d **minus** amount e)	402		▶	D
Add:				
Restricted farm losses transferred on the amalgamation or the wind-up of a subsidiary corporation	405		f	
Current-year restricted farm loss (from amount C)	410		g	
Enter amount g on line 233 of Schedule 1, *Net Income (Loss) for Income Tax Purposes*.				
Subtotal (amount f **plus** amount g)			▶	E
Subtotal (amount D **plus** amount E)				F
Deduct:				
Restricted farm losses from previous tax years applied against current farming income	430		h	
Enter amount h on line 333 of the T2 return.				
Section 80 – Adjustments for forgiven amounts	440		i	
Other adjustments	450		j	
Subtotal (total of amounts h to j)			▶	G
Restricted farm losses before any request for a carryback (amount F **minus** amount G)				H
Deduct – Request to carry back restricted farm loss to:				
First previous tax year to reduce farming income	941		k	
Second previous tax year to reduce farming income	942		l	
Third previous tax year to reduce farming income	943		m	
Subtotal (total of amounts k to m)			▶	I
Closing balance of restricted farm losses to be carried forward to future tax years (amount H **minus** amount I)	480			J

Note

The total losses for the year from all farming businesses are calculated without including scientific research expenses.

* For tax years that end before March 21, 2013, use $6,250 instead of $15,000.

** A restricted farm loss expires as follows:

- after **10** tax years if it arose in a tax year ending before 2006; and
- after **20** tax years if it arose in a tax year ending after 2005.

Part 5 – Listed personal property losses

Continuity of listed personal property loss and request for a carryback

Listed personal property losses at the end of the previous tax year			a		
Deduct: Listed personal property loss expired after seven tax years	500		b		
Listed personal property losses at the beginning of the tax year (amount a **minus** amount b)	502		▶		A
Add: Current-year listed personal property loss (from Schedule 6)				510	B
Subtotal (amount A **plus** amount B)					C
Deduct:					
Previous year personal property losses applied in the current tax year against listed personal property gains	530		c		
Enter amount c on line 655 of Schedule 6.					
Other adjustments	550		d		
Subtotal (amount c **plus** amount d)			▶		D
Listed personal property losses remaining before any request for a carryback (amount C **minus** amount D)					E
Deduct – Request to carry back listed personal property loss to:					
First previous tax year to reduce listed personal property gains	961		e		
Second previous tax year to reduce listed personal property gains	962		f		
Third previous tax year to reduce listed personal property gains	963		g		
Subtotal (total of amounts e to g)			▶		F
Closing balance of listed personal property losses to be carried forward to future tax years (amount E **minus** amount F)				580	G

Part 7 – Limited partnership losses

Current-year limited partnership losses

1	2	3	4	5	6	7
Partnership identifier	Tax year ending YYYY/MM/DD	Corporation's share of limited partnership loss	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, farming losses, and resource expenses	Column 4 **minus** column 5 (if negative, enter "0")	Current-year limited partnership losses (column 3 **minus** 6)
600	602	604	606	608		620
					Total (enter this amount on line 222 of Schedule 1)	

Limited partnership losses from previous tax years that may be applied in the current year

8	9	10	11	12	13	14
Partnership identifier	Tax year ending YYYY/MM/DD	Limited partnership losses at the end of the previous tax year	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, business or property losses, and resource expenses	Column 11 **minus** column 12 (if negative, enter "0")	Limited partnership losses that may be applied in the year (the lesser of columns 10 and 13)
630	632	634	636	638		650

Continuity of limited partnership losses that can be carried forward to future tax years

15	16	17	18	19	20
Partnership identifier	Limited partnership losses at the end of the previous tax year	Limited partnership losses transferred on an amalgamation or the windup of a subsidiary	Current-year limited partnership losses (from column 7)	Limited partnership losses applied in the current year (cannot be more than column 14)	Current year limited partnership losses closing balance to be carried forward to future years (column 16 **plus** column 17 **plus** column 18 **minus** column 19)
660	662	664	670	675	680
			Total (enter this amount on line 335 of the T2 return)		

Note

If you have any current–or previous–year losses, enter your partnership identifier on line 600, 630, or 660.

Part 8 – Election under paragraph 88(1.1)(f)

If you are making an election under paragraph 88(1.1)(f), check the box . . . . **190** Yes ☐

Further to a winding-up of a subsidiary, the portion of a non-capital loss, restricted farm loss, farm loss, or limited partnership loss from a wholly-owned subsidiary is deemed to be the loss of a parent from its tax year starting after the commencement of the winding-up.

Note

This election applies only for wind-ups under subsection 88(1) that are reported on Schedule 24, *First-Time Filer after Incorporation, Amalgamation, or Winding-up of a Subsidiary into a Parent*, and the deemed provision is only for tax years that begin after the start of the wind-up.

Non-Capital Loss Continuity Workchart

Part 6 – Analysis of balance of losses by year of origin

Non-capital losses – losses that can be carried forward over 20 years

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
1st preceding taxation year 2012-12-31	390,284	N/A		N/A	390,284		
2nd preceding taxation year 2011-12-31		N/A		N/A			
3rd preceding taxation year 2010-12-31		N/A		N/A			
4th preceding taxation year 2009-12-31		N/A		N/A			
5th preceding taxation year 2008-12-31		N/A		N/A			
6th preceding taxation year 2007-12-31		N/A		N/A			
7th preceding taxation year 2006-12-31		N/A		N/A			
8th preceding taxation year 2005-12-31		N/A		N/A			
9th preceding taxation year 2004-12-31		N/A		N/A			
10th preceding taxation year 2003-12-31		N/A		N/A			
11th preceding taxation year 2002-12-31		N/A		N/A			
12th preceding taxation year 2001-12-31		N/A		N/A			
13th preceding taxation year 2000-12-31		N/A		N/A			
14th preceding taxation year 1999-12-31		N/A		N/A			
15th preceding taxation year 1998-12-31		N/A		N/A			
16th preceding taxation year 1997-12-31		N/A		N/A			
17th preceding taxation year 1996-12-31		N/A		N/A			
18th preceding taxation year 1995-12-31		N/A		N/A			
19th preceding taxation year 1994-12-31		N/A		N/A			
20th preceding taxation year 1993-12-31		N/A		N/A			*
Total	390,284				390,284		

* **This balance expires this year and will not be available next year.**

Canada Revenue Agency / Agence du revenu du Canada

Schedule 5

TAX CALCULATION SUPPLEMENTARY – CORPORATIONS

Corporation's name	Business Number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 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
106,882		106,882	4,809

Ontario basic income tax (from Schedule 500)	270	12,291		
Deduct: Ontario small business deduction (from Schedule 500)	402	7,482		
Subtotal		4,809	4,809	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)			4,809	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")			4,809	E6
Deduct: Ontario research and development tax credit (from Schedule 508)	416		4,809	
Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 **minus** amount on line 416) (if negative, enter "0")				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")				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)				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		-10,000	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** -10,000

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.

Capital Cost Allowance (CCA) Workchart

Class number 200 1

Description . . . . Electrical distribut

CCA other than classes 10.1, 13 and 14

Terminal loss?		Yes	X No
Resource asset?		Yes	X No
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment)	101	Yes	X No
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?		Yes	X No

If yes, specify the property to be linked
in order to transfer data:

			Federal	Québec	Alberta	
CCA rate	212		4.00	4.00	4.00	
UCC (opening)	201		16,838,096	16,838,096	16,838,096	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+				5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	16,838,096	16,838,096	16,838,096	8
1/2 of net additions	211	–				9
Balance for CCA		=	16,838,096	16,838,096	16,838,096	10
Maximum allowable CCA			673,524	673,524	673,524	11
CCA claimed	217		673,524	673,524	673,524	12
UCC (closing) line 8 minus line 12	220		16,164,572	16,164,572	16,164,572	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . 200 1 Description . . . . Building

CCA other than classes 10.1, 13 and 14

Terminal loss?	Yes	X No
Resource asset?	Yes	X No
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment) 101	Yes	X No
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?	Yes	X No

If yes, specify the property to be linked in order to transfer data:

			Federal	Québec	Alberta	
CCA rate	212		4.00	4.00	4.00	
UCC (opening)	201		1,453,743	1,453,743	1,453,743	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	11,303	11,303	11,303	5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	1,465,046	1,465,046	1,465,046	8
1/2 of net additions	211	–	5,652	5,652	5,652	9
Balance for CCA		=	1,459,394	1,459,394	1,459,394	10
Maximum allowable CCA			58,376	58,376	58,376	11
CCA claimed	217		58,376	58,376	58,376	12
UCC (closing) line 8 minus line 12	220		1,406,670	1,406,670	1,406,670	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . 200 8 Description . . . . System Supervisory

CCA other than classes 10.1, 13 and 14

Terminal loss? [ ] Yes [X] No

Resource asset? [ ] Yes [X] No

Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment) 101 [ ] Yes [X] No

If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties? [ ] Yes [X] No

If yes, specify the property to be linked in order to transfer data:

	Code		Federal	Québec	Alberta	Line
CCA rate	212		20.00	20.00	20.00	
UCC (opening)	201		16,747	16,747	16,747	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+				5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	16,747	16,747	16,747	8
1/2 of net additions	211	–				9
Balance for CCA		=	16,747	16,747	16,747	10
Maximum allowable CCA			3,349	3,349	3,349	11
CCA claimed	217		3,349	3,349	3,349	12
UCC (closing) line 8 minus line 12	220		13,398	13,398	13,398	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . 200 47 Description . . . . Electrical Distribution

CCA other than classes 10.1, 13 and 14

Terminal loss?	Yes	X No
Resource asset?	Yes	X No
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment) 101	Yes	X No
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?	Yes	X No

If yes, specify the property to be linked
in order to transfer data:

	Code		Federal	Québec	Alberta	
CCA rate	212		8.00	8.00	8.00	
UCC (opening)	201		9,041,590	9,041,590	9,041,590	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	1,022,883	1,022,883	1,022,883	5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	10,064,473	10,064,473	10,064,473	8
1/2 of net additions	211	–	511,442	511,442	511,442	9
Balance for CCA		=	9,553,031	9,553,031	9,553,031	10
Maximum allowable CCA			764,242	764,242	764,242	11
CCA claimed	217		764,242	764,242	764,242	12
UCC (closing) line 8 minus line 12	220		9,300,231	9,300,231	9,300,231	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . 200 8 Description . . . . Office Furniture & Equipment

CCA other than classes 10.1, 13 and 14

Terminal loss?		Yes / X No
Resource asset?		Yes / X No
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment)	101	Yes / X No
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?		Yes / X No

If yes, specify the property to be linked
in order to transfer data:

	Code		Federal	Québec	Alberta	
CCA rate	212		20.00	20.00	20.00	
UCC (opening)	201		89,906	89,906	89,906	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	6,671	6,671	6,671	5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	96,577	96,577	96,577	8
1/2 of net additions	211	–	3,336	3,336	3,336	9
Balance for CCA		=	93,241	93,241	93,241	10
Maximum allowable CCA			18,648	18,648	18,648	11
CCA claimed	217		18,648	18,648	18,648	12
UCC (closing) line 8 minus line 12	220		77,929	77,929	77,929	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . **200** 50 Description . . . . Computer Equipment

CCA other than classes 10.1, 13 and 14

		Yes	No
Terminal loss?			X
Resource asset?			X
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment)	101		X
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?			X

If yes, specify the property to be linked in order to transfer data:

	Code		Federal	Québec	Alberta	Line
CCA rate	212		55.00	55.00	55.00	
UCC (opening)	201		99,176	99,176	99,176	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	165,763	165,763	165,763	5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	264,939	264,939	264,939	8
1/2 of net additions	211	–	82,882	82,882	82,882	9
Balance for CCA		=	182,057	182,057	182,057	10
Maximum allowable CCA			100,131	100,131	100,131	11
CCA claimed	217		100,131	100,131	100,131	12
UCC (closing) line 8 minus line 12	220		164,808	164,808	164,808	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . **200** 50 Description . . . . GIS

CCA other than classes 10.1, 13 and 14

Terminal loss? ☐ Yes ☒ No

Resource asset? ☐ Yes ☒ No

Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment) **101** ☐ Yes ☒ No

If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties? ☐ Yes ☒ No

If yes, specify the property to be linked in order to transfer data:

			Federal	Québec	Alberta	
CCA rate	212		55.00	55.00	55.00	
UCC (opening)	201		288,483	288,483	288,483	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	69,795	69,795	69,795	5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	358,278	358,278	358,278	8
1/2 of net additions	211	–	34,898	34,898	34,898	9
Balance for CCA		=	323,380	323,380	323,380	10
Maximum allowable CCA			177,859	177,859	177,859	11
CCA claimed	217		177,859	177,859	177,859	12
UCC (closing) line 8 minus line 12	220		180,419	180,419	180,419	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number .... **200** 10 Description .... Rolling Stock

CCA other than classes 10.1, 13 and 14

Terminal loss?		[ ] Yes	[X] No
Resource asset?		[ ] Yes	[X] No
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment)	**101**	[ ] Yes	[X] No
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?		[ ] Yes	[X] No

If yes, specify the property to be linked in order to transfer data:

	Code		Federal	Québec	Alberta	
CCA rate	212		30.00	30.00	30.00	
UCC (opening)	201		577,439	577,439	577,439	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	247,083	247,083	247,083	5
Additions (full year rule)	203	+				6
Disposals	207	–	30,400	30,400	30,400	7
Balance before CCA		=	794,122	794,122	794,122	8
1/2 of net additions	211	–	108,342	108,342	108,342	9
Balance for CCA		=	685,780	685,780	685,780	10
Maximum allowable CCA			205,734	205,734	205,734	11
CCA claimed	217		205,734	205,734	205,734	12
UCC (closing) line 8 minus line 12	220		588,388	588,388	588,388	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . 200 8 Description . . . . Tools and Equipment

CCA other than classes 10.1, 13 and 14

		Yes	No
Terminal loss?			X
Resource asset?			X
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment)	101		X
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?			X

If yes, specify the property to be linked in order to transfer data:

	Code		Federal	Québec	Alberta	Line
CCA rate	212		20.00	20.00	20.00	
UCC (opening)	201		338,372	338,372	338,372	1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+	22,888	22,888	22,888	5
Additions (full year rule)	203	+				6
Disposals	207	–				7
Balance before CCA		=	361,260	361,260	361,260	8
1/2 of net additions	211	–	11,444	11,444	11,444	9
Balance for CCA		=	349,816	349,816	349,816	10
Maximum allowable CCA			69,963	69,963	69,963	11
CCA claimed	217		69,963	69,963	69,963	12
UCC (closing) line 8 minus line 12	220		291,297	291,297	291,297	13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Capital Cost Allowance (CCA) Workchart

Class number . . . . **200** 12 Description . . . . Computer Software

CCA other than classes 10.1, 13 and 14

Terminal loss?		☐ Yes ☒ No
Resource asset?		☐ Yes ☒ No
Is the corporation electing under reg. 1101(5q)? (to place this property in a separate class for rapidly depreciating electronic equipment)	**101**	☐ Yes ☒ No
If it is rental property (under regulation 1100(11)), do you want to link this property to a Statement of real estate rental properties?		☐ Yes ☒ No

If yes, specify the property to be linked
in order to transfer data:

	Code		Federal	Québec	Alberta	
CCA rate	212		100.00	100.00	100.00	
UCC (opening)	201					1
ITC (prior year)	205	–				2
GST/PST rebate	205	–				3
Adjustments	205	+/-				4
Additions (1/2 year rule)	203	+				5
Additions (full year rule)	203	+	15,135	15,135	15,135	6
Disposals	207	–				7
Balance before CCA		=	15,135	15,135	15,135	8
1/2 of net additions	211	–				9
Balance for CCA		=	15,135	15,135	15,135	10
Maximum allowable CCA			15,135	15,135	15,135	11
CCA claimed	217		15,135	15,135	15,135	12
UCC (closing) line 8 minus line 12	220					13

Class property history

Description	Location	Investment tax credit code	Acquisition date	Adjusted cost base	Disposal date	Net proceeds	Lesser adjusted cost base or net proceeds
			Québec				
			Alberta				

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
St. Thomas Energy Inc.	89052 2014 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	Electrical distribut	16,838,096			0		16,838,096	4	0	0	673,524	16,164,572
2.	1	Building	1,453,743	11,303		0	5,652	1,459,394	4	0	0	58,376	1,406,670
3.	8	System Supervisory	16,747			0		16,747	20	0	0	3,349	13,398
4.	47	Electrical Distribution	9,041,590	1,022,883		0	511,442	9,553,031	8	0	0	764,242	9,300,231
5.	8	Office Furniture & Equipment	89,906	6,671		0	3,336	93,241	20	0	0	18,648	77,929
6.	50	Computer Equipment	99,176	165,763		0	82,882	182,057	55	0	0	100,131	164,808
7.	50	GIS	288,483	69,795		0	34,898	323,380	55	0	0	177,859	180,419
8.	10	Rolling Stock	577,439	247,083		30,400	108,342	685,780	30	0	0	205,734	588,388
9.	8	Tools and Equipment	338,372	22,888		0	11,444	349,816	20	0	0	69,963	291,297
10.	12	Computer Software		15,135		0		15,135	100	0	0	15,135	
		Totals	28,743,552	1,561,521		30,400	757,996	29,516,677				2,086,961	28,187,712

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.

Fixed Assets Reconciliation

Reconciliation of change in fixed assets per financial statements to amounts used per tax return.

Tax return

Additions for tax purposes – Schedule 8 regular classes		1,561,521		
Additions for tax purposes – Schedule 8 leasehold improvements	+			
Operating leases capitalized for book purposes	+			
Capital gain deferred	+			
Recapture deferred	+			
Deductible expenses capitalized for book purposes – Schedule 1	+			
Other (specify):				
Land Rights	+			
Change in Construction in Process	+	-25,947		
Change in Major Spare Parts	+	-114,469		
Total additions per books	=	1,421,105	▶	1,421,105
Proceeds up to original cost – Schedule 8 regular classes		30,400		
Proceeds up to original cost – Schedule 8 leasehold improvements	+			
Proceeds in excess of original cost – capital gain	+			
Recapture deferred – as above	+			
Capital gain deferred – as above	+			
Pre V-day appreciation	+			
Other (specify):				
Proceeds on sale of vehicle booked to retained earnings	+	-30,400		
Total proceeds per books	=		▶ –	
Depreciation and amortization per accounts – Schedule 1			–	1,081,077
Loss on disposal of fixed assets per accounts			–	
Gain on disposal of fixed assets per accounts			+	
Net change per tax return			=	340,028

Financial statements

Fixed assets (excluding land) per financial statements

Closing net book value		24,860,262
Opening net book value	–	24,520,234
Net change per financial statements	=	340,028

If the amounts from the tax return and the financial statements differ, explain why below.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
St. Thomas Energy Inc.	89052 2014 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.	Ascent Group Inc.		86367 7191 RC0001	1					
2.	Ascent Energy Services Inc.		86367 7399 RC0002	3					
3.	Ascent Solutions Inc.		10082 7476 RC0003	3					
4.	Ascent Renewables Inc.		83145 8260 RC0001	3					
5.	2154310 Ontario Inc.		83387 9356 RC0001	3					

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

Related and Associated Corporations Workchart

T2 data connection

Enable T2 Data Connection X

When you select this check box, a link creation will automatically be prompted for all new copies. Furthermore, for existing copies, the **Always keep the link and offer to restore it when in error** check box will be activated by default.

Note: This option applies to the active file only. To modify this option for all clients use the **Preparer Profiles** template.

There are three main functionalities for the T2 Data Connection. Depending on your situation, it may not be practical or even necessary to use all of these features. To determine which features might be applicable to you and find out the suggested methodology, press F1.

Here are the main functionalities:

1) Data transfer from one client file to an R&A workchart (see the *Create Links* help topic).
2) Tables allowing you to visualise the result of allocation scenarios (see the *Calculate Allocation Scenarios* help topic).
3) Importing data found in the R&A workcharts, including links to other returns (if any) and allocations, from one return to another (see the *Import Data from Other Group Returns* help topic).

General information – Filing corporation

This workchart allows the tax preparer to input common information for the filing corporation on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the corporation St. Thomas Energy Inc.

Name of the Related/Associated Corporation Group

By entering a meaningful name for the related/associated corporation group in this field, you will be able to identify the corporations that are part of the same group in the Client Manager.

Business Number 89052 2014 RC0001

Select the appropriate box:

The corporation is a Canadian-controlled private corporation (CCPC)* X

The corporation is a cooperative or a credit union eligible for the SBD* . . . . .

Association code . . . 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the corporation	2013-01-01	2013-12-31

Select this check box if there are two taxation years in the same calendar year . . . . .

Taxable capital employed in Canada for the year 25,450,901

Taxable income of prior taxation year* . . . . .

Reduced business limit of prior taxation year* . . . . .

* For more information, press F1.

Schedule 23 – Agreement among associated Canadian-controlled private corporations to allocate the business limit

Complete this section to allocate the business limit for purposes of the small business deduction, determine the date the balance of tax is due and to calculate the business limit reduction.

Business limit before allocation

			Number of days		Number of days in the taxation year			
After 2008	$ 500,000	x	(365	÷	365)	=	500,000	
Business limit before allocation (for association codes 1, 3, 4, and 5)							500,000	500,000

Select this check box if the corporation elects not to be a CCPC under subsection 89(11) ITA for the current taxation year or a prior taxation year or if the corporation revokes this election in the current taxation year* . . . ☐

Percentage of the business limit . . . x **350** 25.0000 %

Business limit allocated = **400** 125,000

Business limit reduction according to 125(5.1) ITA (tax on large corporations)

Taxable capital employed in Canada in the last taxation year** . . . 23,157,051

* If the corporation revoked its election in the current year when filing Form T2002, this election will still be valid for the current year, but will cease to apply as of the end of the year.

** For more details on the rules concerning the business limit reduction according to section 125(5.1) of the ITA, press F1.

Schedule 39 – Agreement among related financial institutions – Part VI tax *

Complete this section to allocate deduction among members of the related group. Complete this section only if at least one of related financial institutions is liable to pay Part VI tax.

Percentage of the allocation of capital deduction . . . %

Allocation of capital deduction . . . **450**

* This schedule is available if the **Specialized information** module is installed.

Schedule 43 – Calculation of parts IV.1 and VI.1 taxes *

Complete this section to allocate the total dividend allowance (Amount E of Schedule 43) among associated corporations.

Allocation of total dividend allowance

Taxable dividend paid for the previous taxation year for purposes of calculating Part VI.1 tax . . .

Dividend allowance allocated . . . **140** 500,000

* This schedule is available if the **Specialized information** module is installed.

Schedule 49 – Agreement among associated canadian-controlled private corporations to allocate the expenditure limit

Complete this section to allocate the annual expenditure limit among associated CCPC's in order to calculate the ITC eligible for the 35% rate on qualifying SR&ED expenditures.

Does the corporation satisfy the conditions for an exception of subsection 127(10.22) of the *Income tax Act*? (see note)
N/A for filing corporation . . . ☐

Type of corporation code: 1 = CCPC 2 = Non-CCPC . . . **300** 1

Taxable income of prior taxation year . . .

Total expenditure limit . . . 650,689

Expenditure limit allocated . . . **400**

Note:
A CCPC that calculates 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.

Schedule 560 – Ontario interactive digital media tax credit *

Total assets . . . 34,812,209

Total revenue . . . 36,170,899

* This schedule is available if the **Specialized information** module is installed.

Schedule 566 – Ontario innovation tax credit

The corporation is an associated corporation for the purpose of the OITC calculations.	X
Taxable income for the previous tax year (prior to any loss-carrybacks being applied) (see note 1)	
Specified capital amount for the previous tax year (see note 2)	
Expenditure limit (before the allocation)	3,000,000
Expenditure limit allocated	

Note 1

- If any of the tax years referred to at line 400 or line 420 is less than 51 weeks, multiply the taxable income by 365 and divide by the number of days in the tax year.

Note 2

- If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35 or line 690 of Schedule 34, respectively.
- If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. Enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
- For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. Enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Schedule 568 – Ontario business-research institute tax credit

Portion of $20 million expenditures limit allocated to this corporation	310	

Related and Associated Corporations Workchart

T2 data connection

Location and name of the linked file \\GSE-DC01\Vol1\Client Data - 2013\T2 Data 2013\Ascent Group-2013.213

To establish a link to a file, click the **browse** button above.

Always keep the link and offer to restore it when in error X

Any actions, on your part, on this check box will be kept. Therefore, the election made on the filing corporation's copy will have no impact on this check box. Note that clearing this box does not delete data imported for this corporation. Only the corporation's interaction in the allocation scenarios and the synchronization of its values with the source file will be lost.

General information – Related and associated corporations

This workchart allows the tax preparer to input common information for related and associated corporations on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the Related/Associated Corporation Ascent Group Inc.

Business Number
Canadian corporations only. Enter "NR" if the corporation is not registered or does not have a business number. 86367 7191 RC0001

Select the appropriate box:

The corporation is a Canadian-controlled private corporation (CCPC)* X

The corporation is a cooperative or a credit union eligible for the SBD* . . . . . . ☐

Relationship code . . . . . . 1 Parent

The relationship code represents the relationship that the corporation named above has to the filing corporation. For example, if the corporation named above is the parent corporation of the filing corporation, then indicate "1" as the relationship code.

Association code . . . 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the related or associated corporation	2013-01-01	2013-12-31

Select this check box if there are two taxation years in the same calendar year . . . . . . ☐

Taxable capital employed in Canada

Taxable capital employed in Canada in the last taxation year		
Taxable capital employed in Canada for the year	13,458,801	
Taxable capital employed in Canada		13,458,801
Taxable income of the last taxation year ending in the preceding calendar year*		
Reduced business limit of the last taxation year ending in the preceding calendar year*		

* For more information, press F1.

Schedule 9 – Related and associated corporations

Country of residence (other than Canada)	200	
Number of common shares you own	500	
Percentage of common shares you own	550	%
Number of preferred shares you own	600	
Percentage of preferred shares you own	650	%
Book value shares of capital stock	700	

Schedule 23 – Agreement among associated Canadian-controlled private corporations to allocate the business limit

Complete this section to allocate the business limit for purposes of the small business deduction, determine the date the balance of tax is due and to calculate the business limit reduction.

Business limit before allocation

			Number of days		Number of days in the taxation year		
After 2008	$ 500,000	x	(365	÷	365)	=	500,000

Business limit before allocation (for association codes 1 and 4)* 500,000 — 500,000

Select this check box if the corporation elects not to be a CCPC under subsection 89(11) ITA for the current taxation year or a prior taxation year or if the corporation revokes this election in the current taxation year** . . . . ☐

Percentage of the business limit . . . . x **350** ______ %

Business limit allocated = **400** ______

Business limit reduction according to 125(5.1) ITA (tax on large corporations)

Taxable capital employed in Canada in the last taxation year ending in the preceding calendar year*** . . . . ______

* For association code 4, only if the corporation is a cooperative or a credit union eligible for the SBD.

** If the corporation revoked its election in the current year when filing Form T2002, this election will still be valid for the current year, but will cease to apply as of the end of the year.

*** For more details on the rules concerning the business limit reduction according to section 125(5.1) of the ITA, press F1.

Schedule 39 – Agreement among related financial institutions – Part VI tax *

Complete this section to allocate deduction among members of the related group. Complete this section only if at least one of related financial institutions is liable to pay Part VI tax.

The corporation is a financial institution (other than an insurance corporation) . . . . ☐

The corporation is a life insurance corporation . . . . ☐

Percentage of the allocation of capital deduction . . . . ______ %

Allocation of capital deduction . . . . **450** ______

* This schedule is available if the **Specialized information** module is installed.

Schedule 43 – Calculation of parts IV.1 and VI.1 taxes *

Complete this section to allocate the total dividend allowance (Amount E of Schedule 43) among associated corporations.

Allocation of total dividend allowance

Taxable dividend paid for the previous taxation year for purposes of calculating Part VI.1 tax . . . . ______

Dividend allowance allocated . . . . **140** ______

* This schedule is available if the **Specialized information** module is installed.

Schedule 49 – Agreement among associated canadian-controlled private corporations to allocate the expenditure limit

Complete this section to allocate the annual expenditure limit among associated CCPC's in order to calculate the ITC eligible for the 35% rate on qualifying SR&ED expenditures.

Does the corporation satisfy the conditions for an exception of subsection 127(10.22) of the *Income tax Act*? (see note) . . . . ☐

Type of corporation code: 1 = CCPC 2 = Non-CCPC **300** 1

Taxable income of the last taxation year ending in the preceding calendar year . . . . ______

Total expenditure limit 650,689

Expenditure limit allocated . . . . **400** ______

Note:
A CCPC that calculates 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.

Schedule 511 – Ontario corporate minimum tax – Total assets and revenue for associated corporations

Total assets in the last taxation year	26,502,827		
Total assets for the year	23,618,526		
Total assets		400	23,618,526
Total revenue in the last taxation year	1,669,653		
Total revenue for the year	1,182,308		
Total revenue		500	1,182,308

Schedule 560 – Ontario interactive digital media tax credit *

Total assets	23,618,526
Total revenue	1,182,308

* This schedule is available if the **Specialized information** module is installed.

Schedule 566 – Ontario innovation tax credit

The corporation is an associated corporation for the purpose of the OITC calculations.	X
Taxable income of the last taxation year ending in the preceding calendar year (see note 1)	
Specified capital amount of the last taxation year ending in the preceding calendar year (see note 2)	
Expenditure limit (before the allocation)	3,000,000
Expenditure limit allocated	

Note 1

- If any of the tax years referred to at line 400 or line 420 is less than 51 weeks, multiply the taxable income by 365 and divide by the number of days in the tax year.

Note 2

- If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35 or line 690 of Schedule 34, respectively.
- If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. Enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
- For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. Enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Schedule 568 – Ontario business-research institute tax credit

Portion of $20 million expenditures limit allocated to this corporation	310	20,000,000

Related and Associated Corporations Workchart

T2 data connection

Location and name of the linked file \\GSE-DC01\Vol1\Client Data - 2013\T2 Data 2013\Ascent Energy Services Inc. 2013 - Dec 201

To establish a link to a file, click the **browse** button above.

Always keep the link and offer to restore it when in error X

Any actions, on your part, on this check box will be kept. Therefore, the election made on the filing corporation's copy will have no impact on this check box. Note that clearing this box does not delete data imported for this corporation. Only the corporation's interaction in the allocation scenarios and the synchronization of its values with the source file will be lost.

General information – Related and associated corporations

This workchart allows the tax preparer to input common information for related and associated corporations on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the Related/Associated Corporation Ascent Energy Services Inc.

Business Number
Canadian corporations only. Enter "NR" if the corporation is not registered or does not have a business number. 86367 7399 RC0002

Select the appropriate box:

The corporation is a Canadian-controlled private corporation (CCPC)* X

The corporation is a cooperative or a credit union eligible for the SBD* . . . . . ☐

Relationship code . . . . . 3 Associated

The relationship code represents the relationship that the corporation named above has to the filing corporation. For example, if the corporation named above is the parent corporation of the filing corporation, then indicate "1" as the relationship code.

Association code . . . 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the related or associated corporation	2013-05-01	2013-12-31

Select this check box if there are two taxation years in the same calendar year X

Taxable capital employed in Canada

Taxable capital employed in Canada in the last taxation year	6,083,313	
Taxable capital employed in Canada for the year	1,341,974	
Taxable capital employed in Canada		1,341,974
Taxable income of the last taxation year ending in the preceding calendar year*		101,649
Reduced business limit of the last taxation year ending in the preceding calendar year*		

* For more information, press F1.

Schedule 9 – Related and associated corporations

Country of residence (other than Canada)	200	
Number of common shares you own	500	
Percentage of common shares you own	550	%
Number of preferred shares you own	600	
Percentage of preferred shares you own	650	%
Book value shares of capital stock	700	

Schedule 23 – Agreement among associated Canadian-controlled private corporations to allocate the business limit

Complete this section to allocate the business limit for purposes of the small business deduction, determine the date the balance of tax is due and to calculate the business limit reduction.

Business limit before allocation

			Number of days		Number of days in the taxation year			
After 2008	$ 500,000	x	(245	÷	245)	=	500,000	
Business limit before allocation (for association codes 1 and 4)*							500,000	500,000

Select this check box if the corporation elects not to be a CCPC under subsection 89(11) ITA for the current taxation year or a prior taxation year or if the corporation revokes this election in the current taxation year** . . . . ☐

Percentage of the business limit . . . . x **350** 74.0000 %

Business limit allocated = **400** 370,000

Business limit reduction according to 125(5.1) ITA (tax on large corporations)

Taxable capital employed in Canada in the last taxation year ending in the preceding calendar year*** 6,083,313

* For association code 4, only if the corporation is a cooperative or a credit union eligible for the SBD.

** If the corporation revoked its election in the current year when filing Form T2002, this election will still be valid for the current year, but will cease to apply as of the end of the year.

*** For more details on the rules concerning the business limit reduction according to section 125(5.1) of the ITA, press F1.

Schedule 39 – Agreement among related financial institutions – Part VI tax *

Complete this section to allocate deduction among members of the related group. Complete this section only if at least one of related financial institutions is liable to pay Part VI tax.

The corporation is a financial institution (other than an insurance corporation) . . . . ☐

The corporation is a life insurance corporation . . . . ☐

Percentage of the allocation of capital deduction . . . . %

Allocation of capital deduction **450**

* This schedule is available if the **Specialized information** module is installed.

Schedule 43 – Calculation of parts IV.1 and VI.1 taxes *

Complete this section to allocate the total dividend allowance (Amount E of Schedule 43) among associated corporations.

Allocation of total dividend allowance

Taxable dividend paid for the previous taxation year for purposes of calculating Part VI.1 tax . . . .

Dividend allowance allocated **140**

* This schedule is available if the **Specialized information** module is installed.

Schedule 49 – Agreement among associated canadian-controlled private corporations to allocate the expenditure limit

Complete this section to allocate the annual expenditure limit among associated CCPC's in order to calculate the ITC eligible for the 35% rate on qualifying SR&ED expenditures.

Does the corporation satisfy the conditions for an exception of subsection 127(10.22) of the *Income tax Act*? (see note) . . . . ☐

Type of corporation code: 1 = CCPC 2 = Non-CCPC **300** 1

Taxable income of the last taxation year ending in the preceding calendar year 101,649

Total expenditure limit 650,689

Expenditure limit allocated **400**

Note:
A CCPC that calculates 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.

Schedule 511 – Ontario corporate minimum tax – Total assets and revenue for associated corporations

Total assets in the last taxation year	6,322,041		
Total assets for the year	5,224,025		
Total assets		400	5,224,025
Total revenue in the last taxation year	598,746		
Total revenue for the year	1,110,683		
Total revenue		500	1,110,683

Schedule 560 – Ontario interactive digital media tax credit *

Total assets	5,224,025
Total revenue	1,110,683

* This schedule is available if the **Specialized information** module is installed.

Schedule 566 – Ontario innovation tax credit

The corporation is an associated corporation for the purpose of the OITC calculations.	X
Taxable income of the last taxation year ending in the preceding calendar year (see note 1)	101,649
Specified capital amount of the last taxation year ending in the preceding calendar year (see note 2)	
Expenditure limit (before the allocation)	3,000,000
Expenditure limit allocated	

Note 1

- If any of the tax years referred to at line 400 or line 420 is less than 51 weeks, multiply the taxable income by 365 and divide by the number of days in the tax year.

Note 2

- If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35 or line 690 of Schedule 34, respectively.
- If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. Enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
- For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. Enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Schedule 568 – Ontario business-research institute tax credit

Portion of $20 million expenditures limit allocated to this corporation	310	20,000,000

Related and Associated Corporations Workchart

T2 data connection

Location and name of the linked file \\GSE-DC01\Vol1\Client Data - 2013\T2 Data 2013\Ascent Solutions. 2013.213

To establish a link to a file, click the **browse** button above.

Always keep the link and offer to restore it when in error X

Any actions, on your part, on this check box will be kept. Therefore, the election made on the filing corporation's copy will have no impact on this check box. Note that clearing this box does not delete data imported for this corporation. Only the corporation's interaction in the allocation scenarios and the synchronization of its values with the source file will be lost.

General information – Related and associated corporations

This workchart allows the tax preparer to input common information for related and associated corporations on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the Related/Associated Corporation Ascent Solutions Inc.

Business Number
Canadian corporations only. Enter "NR" if the corporation is not registered or does not have a business number. 10082 7476 RC0003

Select the appropriate box:

The corporation is a Canadian-controlled private corporation (CCPC)* X

The corporation is a cooperative or a credit union eligible for the SBD* . . . .

Relationship code . . . . 3 Associated

The relationship code represents the relationship that the corporation named above has to the filing corporation. For example, if the corporation named above is the parent corporation of the filing corporation, then indicate "1" as the relationship code.

Association code . . . 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the related or associated corporation	2013-01-01	2013-12-31

Select this check box if there are two taxation years in the same calendar year . . . .

Taxable capital employed in Canada

Taxable capital employed in Canada in the last taxation year	12,083,789	
Taxable capital employed in Canada for the year		
Taxable capital employed in Canada		
Taxable income of the last taxation year ending in the preceding calendar year*		
Reduced business limit of the last taxation year ending in the preceding calendar year*		

* For more information, press F1.

Schedule 9 – Related and associated corporations

Country of residence (other than Canada)	200	
Number of common shares you own	500	
Percentage of common shares you own	550	%
Number of preferred shares you own	600	
Percentage of preferred shares you own	650	%
Book value shares of capital stock	700	

Schedule 23 – Agreement among associated Canadian-controlled private corporations to allocate the business limit

Complete this section to allocate the business limit for purposes of the small business deduction, determine the date the balance of tax is due and to calculate the business limit reduction.

Business limit before allocation

			Number of days		Number of days in the taxation year			
After 2008	$ 500,000	x	(365	÷	365)	=	500,000	
Business limit before allocation (for association codes 1 and 4)*							500,000	500,000

Select this check box if the corporation elects not to be a CCPC under subsection 89(11) ITA for the current taxation year or a prior taxation year or if the corporation revokes this election in the current taxation year** . . . . ☐

Percentage of the business limit . . . . x **350** ______ %

Business limit allocated = **400** ______

Business limit reduction according to 125(5.1) ITA (tax on large corporations)

Taxable capital employed in Canada in the last taxation year ending in the preceding calendar year*** 12,083,789

* For association code 4, only if the corporation is a cooperative or a credit union eligible for the SBD.

** If the corporation revoked its election in the current year when filing Form T2002, this election will still be valid for the current year, but will cease to apply as of the end of the year.

*** For more details on the rules concerning the business limit reduction according to section 125(5.1) of the ITA, press F1.

Schedule 39 – Agreement among related financial institutions – Part VI tax *

Complete this section to allocate deduction among members of the related group. Complete this section only if at least one of related financial institutions is liable to pay Part VI tax.

The corporation is a financial institution (other than an insurance corporation) . . . . ☐

The corporation is a life insurance corporation . . . . ☐

Percentage of the allocation of capital deduction . . . . ______ %

Allocation of capital deduction . . . . **450** ______

* This schedule is available if the **Specialized information** module is installed.

Schedule 43 – Calculation of parts IV.1 and VI.1 taxes *

Complete this section to allocate the total dividend allowance (Amount E of Schedule 43) among associated corporations.

Allocation of total dividend allowance

Taxable dividend paid for the previous taxation year for purposes of calculating Part VI.1 tax . . . . ______

Dividend allowance allocated . . . . **140** ______

* This schedule is available if the **Specialized information** module is installed.

Schedule 49 – Agreement among associated canadian-controlled private corporations to allocate the expenditure limit

Complete this section to allocate the annual expenditure limit among associated CCPC's in order to calculate the ITC eligible for the 35% rate on qualifying SR&ED expenditures.

Does the corporation satisfy the conditions for an exception of subsection 127(10.22) of the *Income tax Act*? (see note) . . . . ☐

Type of corporation code: 1 = CCPC 2 = Non-CCPC **300** 1

Taxable income of the last taxation year ending in the preceding calendar year . . . . ______

Total expenditure limit 650,689

Expenditure limit allocated . . . . **400** ______

Note:
A CCPC that calculates 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.

Schedule 511 – Ontario corporate minimum tax – Total assets and revenue for associated corporations

Total assets in the last taxation year	17,298,749		
Total assets for the year	25,047,979		
Total assets		400	25,047,979
Total revenue in the last taxation year	22,340,774		
Total revenue for the year	28,253,327		
Total revenue		500	28,253,327

Schedule 560 – Ontario interactive digital media tax credit *

Total assets	25,047,979
Total revenue	28,253,327

* This schedule is available if the **Specialized information** module is installed.

Schedule 566 – Ontario innovation tax credit

The corporation is an associated corporation for the purpose of the OITC calculations.	X
Taxable income of the last taxation year ending in the preceding calendar year (see note 1)	
Specified capital amount of the last taxation year ending in the preceding calendar year (see note 2)	12,083,789
Expenditure limit (before the allocation)	3,000,000
Expenditure limit allocated	

Note 1

- If any of the tax years referred to at line 400 or line 420 is less than 51 weeks, multiply the taxable income by 365 and divide by the number of days in the tax year.

Note 2

- If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35 or line 690 of Schedule 34, respectively.
- If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. Enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
- For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. Enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Schedule 568 – Ontario business-research institute tax credit

Portion of $20 million expenditures limit allocated to this corporation	310	20,000,000

Related and Associated Corporations Workchart

T2 data connection

Location and name of the linked file \\GSE-DC01\Vol1\Client Data - 2013\T2 Data 2013\Ascent Renewables Inc. 2013.213

To establish a link to a file, click the **browse** button above.

Always keep the link and offer to restore it when in error X

Any actions, on your part, on this check box will be kept. Therefore, the election made on the filing corporation's copy will have no impact on this check box. Note that clearing this box does not delete data imported for this corporation. Only the corporation's interaction in the allocation scenarios and the synchronization of its values with the source file will be lost.

General information – Related and associated corporations

This workchart allows the tax preparer to input common information for related and associated corporations on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the Related/Associated Corporation Ascent Renewables Inc.

Business Number
Canadian corporations only. Enter "NR" if the corporation is not registered or does not have a business number. 83145 8260 RC0001

Select the appropriate box:

The corporation is a Canadian-controlled private corporation (CCPC)* X

The corporation is a cooperative or a credit union eligible for the SBD* . . . . .

Relationship code . . . . . 3 Associated

The relationship code represents the relationship that the corporation named above has to the filing corporation. For example, if the corporation named above is the parent corporation of the filing corporation, then indicate "1" as the relationship code.

Association code . . . 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the related or associated corporation	2013-01-01	2013-12-31

Select this check box if there are two taxation years in the same calendar year . . . . .

Taxable capital employed in Canada

Taxable capital employed in Canada in the last taxation year . . . . .

Taxable capital employed in Canada for the year . . . . .

Taxable capital employed in Canada . . . . .

Taxable income of the last taxation year ending in the preceding calendar year* . . . . .

Reduced business limit of the last taxation year ending in the preceding calendar year* . . . . .

* For more information, press F1.

Schedule 9 – Related and associated corporations

Country of residence (other than Canada) 200

Number of common shares you own 500

Percentage of common shares you own . . . . . 550 %

Number of preferred shares you own 600

Percentage of preferred shares you own . . . . . 650 %

Book value shares of capital stock 700

Schedule 23 – Agreement among associated Canadian-controlled private corporations to allocate the business limit

Complete this section to allocate the business limit for purposes of the small business deduction, determine the date the balance of tax is due and to calculate the business limit reduction.

Business limit before allocation

			Number of days		Number of days in the taxation year			
After 2008	$ 500,000	x	(365	÷	365)	=	500,000	
Business limit before allocation (for association codes 1 and 4)*							500,000	500,000

Select this check box if the corporation elects not to be a CCPC under subsection 89(11) ITA for the current taxation year or a prior taxation year or if the corporation revokes this election in the current taxation year** . . . . ☐

Percentage of the business limit . . . . x **350** 1.0000 %

Business limit allocated = **400** 5,000

Business limit reduction according to 125(5.1) ITA (tax on large corporations)

Taxable capital employed in Canada in the last taxation year ending in the preceding calendar year*** . . . .

* For association code 4, only if the corporation is a cooperative or a credit union eligible for the SBD.

** If the corporation revoked its election in the current year when filing Form T2002, this election will still be valid for the current year, but will cease to apply as of the end of the year.

*** For more details on the rules concerning the business limit reduction according to section 125(5.1) of the ITA, press F1.

Schedule 39 – Agreement among related financial institutions – Part VI tax *

Complete this section to allocate deduction among members of the related group. Complete this section only if at least one of related financial institutions is liable to pay Part VI tax.

The corporation is a financial institution (other than an insurance corporation) . . . . ☐

The corporation is a life insurance corporation . . . . ☐

Percentage of the allocation of capital deduction . . . . %

Allocation of capital deduction **450**

* This schedule is available if the **Specialized information** module is installed.

Schedule 43 – Calculation of parts IV.1 and VI.1 taxes *

Complete this section to allocate the total dividend allowance (Amount E of Schedule 43) among associated corporations.

Allocation of total dividend allowance

Taxable dividend paid for the previous taxation year for purposes of calculating Part VI.1 tax . . . .

Dividend allowance allocated **140**

* This schedule is available if the **Specialized information** module is installed.

Schedule 49 – Agreement among associated canadian-controlled private corporations to allocate the expenditure limit

Complete this section to allocate the annual expenditure limit among associated CCPC's in order to calculate the ITC eligible for the 35% rate on qualifying SR&ED expenditures.

Does the corporation satisfy the conditions for an exception of subsection 127(10.22) of the *Income tax Act*? (see note) . . . . ☐

Type of corporation code: 1 = CCPC 2 = Non-CCPC **300** 1

Taxable income of the last taxation year ending in the preceding calendar year . . . .

Total expenditure limit 650,689

Expenditure limit allocated **400**

Note:
A CCPC that calculates 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.

Schedule 511 – Ontario corporate minimum tax – Total assets and revenue for associated corporations

Total assets in the last taxation year	279		
Total assets for the year			
Total assets		400	
Total revenue in the last taxation year			
Total revenue for the year			
Total revenue		500	

Schedule 560 – Ontario interactive digital media tax credit *

Total assets	
Total revenue	

* This schedule is available if the **Specialized information** module is installed.

Schedule 566 – Ontario innovation tax credit

The corporation is an associated corporation for the purpose of the OITC calculations.	X
Taxable income of the last taxation year ending in the preceding calendar year (see note 1)	
Specified capital amount of the last taxation year ending in the preceding calendar year (see note 2)	
Expenditure limit (before the allocation)	3,000,000
Expenditure limit allocated	

Note 1

- If any of the tax years referred to at line 400 or line 420 is less than 51 weeks, multiply the taxable income by 365 and divide by the number of days in the tax year.

Note 2

- If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35 or line 690 of Schedule 34, respectively.
- If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. Enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
- For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. Enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Schedule 568 – Ontario business-research institute tax credit

Portion of $20 million expenditures limit allocated to this corporation	310	

Related and Associated Corporations Workchart

T2 data connection

Location and name of the linked file \\GSE-DC01\Vol1\Client Data - 2013\T2 Data 2013\2154310 Ontario Inc. (PIL) April 30, 2013.2

To establish a link to a file, click the **browse** button above.

Always keep the link and offer to restore it when in error X

Any actions, on your part, on this check box will be kept. Therefore, the election made on the filing corporation's copy will have no impact on this check box. Note that clearing this box does not delete data imported for this corporation. Only the corporation's interaction in the allocation scenarios and the synchronization of its values with the source file will be lost.

General information – Related and associated corporations

This workchart allows the tax preparer to input common information for related and associated corporations on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the Related/Associated Corporation 2154310 Ontario Inc.

Business Number
Canadian corporations only. Enter "NR" if the corporation is not registered or does not have a business number. 83387 9356 RC0001

Select the appropriate box:

The corporation is a Canadian-controlled private corporation (CCPC)* X

The corporation is a cooperative or a credit union eligible for the SBD* . . . . . . ☐

Relationship code . . . . . . 3 Associated

The relationship code represents the relationship that the corporation named above has to the filing corporation. For example, if the corporation named above is the parent corporation of the filing corporation, then indicate "1" as the relationship code.

Association code . . . 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the related or associated corporation	2013-01-01	2013-04-30

Select this check box if there are two taxation years in the same calendar year . . . . . . ☐

Taxable capital employed in Canada

Taxable capital employed in Canada in the last taxation year . . . . . .

Taxable capital employed in Canada for the year . . . . . .

Taxable capital employed in Canada . . . . . .

Taxable income of the last taxation year ending in the preceding calendar year* . . . . . .

Reduced business limit of the last taxation year ending in the preceding calendar year* . . . . . .

* For more information, press F1.

Schedule 9 – Related and associated corporations

Country of residence (other than Canada) 200

Number of common shares you own	500	
Percentage of common shares you own	550	%
Number of preferred shares you own	600	
Percentage of preferred shares you own	650	%
Book value shares of capital stock	700	

Schedule 23 – Agreement among associated Canadian-controlled private corporations to allocate the business limit

Complete this section to allocate the business limit for purposes of the small business deduction, determine the date the balance of tax is due and to calculate the business limit reduction.

Business limit before allocation

			Number of days		Number of days in the taxation year		
After 2008	$ 500,000	x	(120	÷	120)	=	500,000

Business limit before allocation (for association codes 1 and 4)* 500,000 500,000

Select this check box if the corporation elects not to be a CCPC under subsection 89(11) ITA for the current taxation year or a prior taxation year or if the corporation revokes this election in the current taxation year** ☐

Percentage of the business limit x **350** %

Business limit allocated = **400**

Business limit reduction according to 125(5.1) ITA (tax on large corporations)

Taxable capital employed in Canada in the last taxation year ending in the preceding calendar year***

* For association code 4, only if the corporation is a cooperative or a credit union eligible for the SBD.

** If the corporation revoked its election in the current year when filing Form T2002, this election will still be valid for the current year, but will cease to apply as of the end of the year.

*** For more details on the rules concerning the business limit reduction according to section 125(5.1) of the ITA, press F1.

Schedule 39 – Agreement among related financial institutions – Part VI tax *

Complete this section to allocate deduction among members of the related group. Complete this section only if at least one of related financial institutions is liable to pay Part VI tax.

The corporation is a financial institution (other than an insurance corporation) ☐

The corporation is a life insurance corporation ☐

Percentage of the allocation of capital deduction %

Allocation of capital deduction **450**

* This schedule is available if the **Specialized information** module is installed.

Schedule 43 – Calculation of parts IV.1 and VI.1 taxes *

Complete this section to allocate the total dividend allowance (Amount E of Schedule 43) among associated corporations.

Allocation of total dividend allowance

Taxable dividend paid for the previous taxation year for purposes of calculating Part VI.1 tax

Dividend allowance allocated **140**

* This schedule is available if the **Specialized information** module is installed.

Schedule 49 – Agreement among associated canadian-controlled private corporations to allocate the expenditure limit

Complete this section to allocate the annual expenditure limit among associated CCPC's in order to calculate the ITC eligible for the 35% rate on qualifying SR&ED expenditures.

Does the corporation satisfy the conditions for an exception of subsection 127(10.22) of the *Income tax Act*? (see note) ☐

Type of corporation code: 1 = CCPC 2 = Non-CCPC **300** 1

Taxable income of the last taxation year ending in the preceding calendar year

Total expenditure limit 650,689

Expenditure limit allocated **400**

Note:

A CCPC that calculates 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.

Schedule 511 – Ontario corporate minimum tax – Total assets and revenue for associated corporations

Total assets in the last taxation year	10,760,933		
Total assets for the year	10,760,933		
Total assets		400	10,760,933
Total revenue in the last taxation year	284,271		
Total revenue for the year	285,156		
Total revenue		500	285,156

Schedule 560 – Ontario interactive digital media tax credit *

Total assets	10,760,933
Total revenue	285,156

* This schedule is available if the **Specialized information** module is installed.

Schedule 566 – Ontario innovation tax credit

The corporation is an associated corporation for the purpose of the OITC calculations.	X
Taxable income of the last taxation year ending in the preceding calendar year (see note 1)	
Specified capital amount of the last taxation year ending in the preceding calendar year (see note 2)	
Expenditure limit (before the allocation)	3,000,000
Expenditure limit allocated	

Note 1

- If any of the tax years referred to at line 400 or line 420 is less than 51 weeks, multiply the taxable income by 365 and divide by the number of days in the tax year.

Note 2

- If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35 or line 690 of Schedule 34, respectively.
- If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. Enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
- For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. Enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Schedule 568 – Ontario business-research institute tax credit

Portion of $20 million expenditures limit allocated to this corporation	310	

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	Employee Retirement benefit	1,234,948			153,575	1,081,373
	Reserves from Part 2 of Schedule 13					
	Totals	1,234,948			153,575	1,081,373

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.

Canada Revenue Agency / Agence du revenu du Canada

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	St. Thomas Energy Inc.	89052 2014 RC0001	1	500,000	25.0000	125,000
2	Ascent Group Inc.	86367 7191 RC0001	1	500,000		
3	Ascent Energy Services Inc.	86367 7399 RC0002	1	500,000	74.0000	370,000
4	Ascent Solutions Inc.	10082 7476 RC0003	1	500,000		
5	Ascent Renewables Inc.	83145 8260 RC0001	1	500,000	1.0000	5,000
6	2154310 Ontario Inc.	83387 9356 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

	Specified percentage
Investments	
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
St. Thomas Energy Inc.	89052 2014 RC0001	2013-12-31

Part 2 – Determination of a qualifying corporation

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

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)	76,015		
Add:			
Contributions to agricultural organizations for SR&ED*			
Current expenditures (line 557 on Form T661 **plus** line 103 from Part 3)*	76,015 ▶	350	76,015
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	76,015

* 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 [X] 2 No [ ]

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	
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	398	

* 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		x 10 =		A
Excess ($8,000,000 **minus** amount A; if negative, enter "0")				B
$ 40,000,000 **minus** line 398 from Part 9		a		
Amount a **divided** by $ 40,000,000				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 / 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	76,015	x	20 % =	15,203	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)	15,203	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			21,454	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	21,454	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit (from amount L in Part 11)	540	15,203		
Credit allocated from a partnership	550			
Subtotal (total of lines 530 to 550)		15,203	15,203	O
Total credit available (line 520 **plus** amount O)			36,657	P
Deduct:				
Credit deducted from Part I tax (enter at amount E in Part 30)	560	16,032		
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)		16,032	16,032	Q
Credit balance before refund (amount P **minus** amount Q)			20,625	R
Deduct:				
Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies)		610	6,081	
ITC closing balance on SR&ED (amount R **minus** line 610)		620	14,544	

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)	15,203 f		
Refundable credits (amount f above or amount R from Part 12, whichever is less)*		15,203	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")		15,203	V
Amount V **multiplied** by 40 %		6,081	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)		6,081	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 Enter amount F at amount A in Part 29.		F

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

Total current-year credit (enter at line 640 in Part 22) ______ 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 ______

Credit allocated from a partnership . . . . 655 ______

Subtotal (total of lines 630 to 655) ______ ► ______ D

Total credit available (line 625 **plus** amount D) . . . . ______ 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 ______

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)	16,032	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)	16,032	I

Enter amount I at line 652 of the T2 return.

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Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 99 Cur. or cap. R&D for 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)
15,203		6,081		9,122

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	21,454		16,032	5,422
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	21,454		16,032	5,422

B+C+D+G **Total ITC utilized** 22,113

* 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
St. Thomas Energy Inc.	89052 2014 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	Ascent Group Inc.	86367 7191 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 53

GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation	Business Number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 RC0001	2013-12-31

On: 2013-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your *T2 Corporation Income Tax Return*. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the I*ncome Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

2006 addition

1. Is this the corporation's first taxation year that includes January 1, 2006? . . . . . . [ ] Yes [X] No
2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006? Enter the date and go directly to question 4 2006-12-31
3. During that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA? . . . . . . [X] Yes [ ] No
   If the answer to question 3 is yes, complete Part "GRIP addition for 2006".

Change in the type of corporation

4. Was the corporation a CCPC during its preceding taxation year? . . . . . . [X] Yes [ ] No
5. Corporations that become a CCPC or a DIC . . . . . . [ ] Yes [X] No
   If the answer to question 5 is yes, complete Part 4.

Amalgamation (first year of filing after amalgamation)

6. Corporations that were formed as a result of an amalgamation . . . . . . [ ] Yes [X] No
   If the answer to question 6 is yes, answer questions 7 and 8. If the answer is no, go to question 9.
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC? . . . . . . [ ] Yes [ ] No
   If the answer to question 7 is yes, complete Part 4.
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation? . . . . . . [ ] Yes [ ] No
   If the answer to question 8 is yes, complete Part 3.

Winding-up

9. Has the corporation wound-up a subsidiary in the preceding taxation year? . . . . . . [ ] Yes [X] No
   If the answer to question 9 is yes, answer questions 10 and 11. If the answer is no, go to Part 1.
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year? . . . . . . [ ] Yes [ ] No
    If the answer to question 10 is yes, complete Part 4.
11. Was the subsidiary a CCPC or a DIC during its last taxation year? . . . . . . [ ] Yes [ ] No
    If the answer to question 11 is yes, complete Part 3.

Part 1 – Calculation of general rate income pool (GRIP)

GRIP at the end of the previous tax year			100	7,509,227	A
Taxable income for the year (DICs enter "0") *	110	106,882	B		
Income for the credit union deduction * (amount E in Part 3 of Schedule 17)	120				
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less *	130				
For a CCPC, the lesser of aggregate investment income (line 440 of the T2 return) and taxable income *	140				
Subtotal (**add** lines 120, 130, and 140)			C		
Income taxable at the general corporate rate (line B **minus** line C) (if negative enter "0")	150	106,882			
After-tax income (line 150 x general rate factor for the tax year ** 0.72)			190	76,955	D
Eligible dividends received in the tax year	200				
Dividends deductible under section 113 received in the tax year	210				
Subtotal (**add** lines 200 and 210)					E
GRIP addition:					
Becoming a CCPC (line PP from Part 4)	220				
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)	230				
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)	240				
Subtotal (**add** lines 220, 230, and 240)			290		F
Subtotal (**add** lines A, D, E, and F)				7,586,182	G
Eligible dividends paid in the previous tax year	300				
Excessive eligible dividend designations made in the previous tax year	310				

Note: If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.

Subtotal (line 300 **minus** line 310)					H
GRIP before adjustment for specified future tax consequences (line G **minus** line H) (amount can be negative)			490	7,586,182	
Total GRIP adjustment for specified future tax consequences to previous tax years (amount W from Part 2)			560		
GRIP at the end of the tax year (line 490 **minus** line 560)			590	7,586,182	

Enter this amount on line 160 of Schedule 55.

* For lines 110, 120, 130, and 140, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.

** The **general rate factor** for a tax year is 0.68 for any portion of the tax year that falls before 2010, 0.69 for any portion of the tax year that falls in 2010, 0.70 for any portion of the tax year that falls in 2011, and 0.72 for any portion of the tax year that falls after 2011. Calculate the general rate factor in Part 5 for tax years that straddle these dates.

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560.

First previous tax year 2012-12-31

Taxable income before specified future tax consequences from the current tax year				J1
Enter the following amounts before specified future tax consequences from the current tax year:				
Income for the credit union deduction (amount E in Part 3 of Schedule 17)		K1		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less		L1		
Aggregate investment income (line 440 of the T2 return)		M1		
Subtotal (**add** lines K1, L1, and M1)				N1
Subtotal (line J1 **minus** line N1) (if negative, enter "0")				O1

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences . . . . ______ P1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ Q1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ R1

Aggregate investment income (line 440 of the T2 return) . . . . ______ S1

Subtotal (**add** lines Q1, R1, and S1) ______ ▶ ______ T1

Subtotal (line P1 **minus** line T1) (if negative, enter "0") ______ ▶ ______ U1

Subtotal (line O1 **minus** line U1) (if negative, enter "0") ______ V1

GRIP adjustment for specified future tax consequences to the first previous tax year

(line V1 **multiplied by** the general rate factor for the tax year 0.72) . . . . **500** ______

Second previous tax year 2011-12-31

Taxable income before specified future tax consequences from the current tax year 1,154,515 J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ L2

Aggregate investment income (line 440 of the T2 return) . . . . ______ M2

Subtotal (**add** lines K2, L2, and M2) ______ ▶ ______ N2

Subtotal (line J2 **minus** line N2) (if negative, enter "0") 1,154,515 ▶ 1,154,515 O2

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences . . . . ______ P2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ Q2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ R2

Aggregate investment income (line 440 of the T2 return) . . . . ______ S2

Subtotal (**add** lines Q2, R2, and S2) ______ ▶ ______ T2

Subtotal (line P2 **minus** line T2) (if negative, enter "0") ______ ▶ ______ U2

Subtotal (line O2 **minus** line U2) (if negative, enter "0") ______ V2

GRIP adjustment for specified future tax consequences to the second previous tax year

(line V2 **multiplied by** the general rate factor for the tax year 0.72) . . . . **520** ______

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Third previous tax year 2010-12-31

Taxable income before specified future tax consequences from the current tax year 1,389,662 J3

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ K3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ L3

Aggregate investment income (line 440 of the T2 return) . . . . ______ M3

Subtotal (**add** lines K3, L3, and M3) ______ ▶ ______ N3

Subtotal (line J3 **minus** line N3) (if negative, enter "0") 1,389,662 ▶ 1,389,662 O3

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences . . . . ______ P3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ Q3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ R3

Aggregate investment income (line 440 of the T2 return) . . . . ______ S3

Subtotal (**add** lines Q3, R3, and S3) ______ ▶ ______ T3

Subtotal (line P3 **minus** line T3) (if negative, enter "0") ______ ▶ ______ U3

Subtotal (line O3 **minus** line U3) (if negative, enter "0") ______ V3

GRIP adjustment for specified future tax consequences to the third previous tax year
(line V3 **multiplied by** the general rate factor for the tax year 0.72) . . . . **540** ______

Total GRIP adjustment for specified future tax consequences to previous tax years:
(**add** lines 500, 520, and 540) (if negative, enter "0") . . . . ______ W

Enter amount W on line 560.

Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)

nb. 1 Post amalgamation . . . ☐ Post wind-up . . . . . . ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or a DIC in its last tax year. In the calculation below, **corporation** means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year . . . . ______ AA

Eligible dividends paid by the corporation in its last tax year . . . . ______ BB

Excessive eligible dividend designations made by the corporation in its last tax year . . . . ______ CC

Subtotal (line BB **minus** line CC) ______ ▶ ______ DD

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)
(line AA **minus** line DD) . . . . ______ EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Part 4 – Worksheet to calculate the GRIP addition post-amalgamation, post-wind-up (predecessor or subsidiary was not a CCPC or a DIC in its last tax year), or the corporation is becoming a CCPC

nb. 1 Corporation becoming a CCPC . . . . . . ☐ Post amalgamation . . . . ☐ Post wind-up . . . . ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary was not a CCPC or a DIC in its last tax year. Also, use this part for a corporation becoming a CCPC. In the calculation below, **corporation** means a corporation becoming a CCPC, a predecessor, or a subsidiary.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was not a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Cost amount to the corporation of all property immediately before the end of its previous/last tax year			FF
The corporation's money on hand immediately before the end of its previous/last tax year			GG
Unused and unexpired losses at the end of the corporation's previous/last tax year:			
Non-capital losses			
Net capital losses			
Farm losses			
Restricted farm losses			
Limited partnership losses			
Subtotal		►	HH
Subtotal (**add** lines FF, GG, and HH)			II
All the corporation's debts and other obligations to pay that were outstanding immediately before the end of its previous/last tax year		JJ	
Paid-up capital of all the corporation's issued and outstanding shares of capital stock immediately before the end of its previous/last tax year		KK	
All the corporation's reserves deducted in its previous/last tax year		LL	
The corporation's capital dividend account immediately before the end of its previous/last tax year		MM	
The corporation's low rate income pool immediately before the end of its previous/last tax year		NN	
Subtotal (**add** lines JJ, KK, LL, MM, and NN)		►	OO
GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was not a CCPC or a DIC in its last tax year), or the corporation is becoming a CCPC (line II **minus** line OO) (if negative, enter "0")			PP

After you complete this worksheet for each predecessor and each subsidiary, calculate the total of all the PP lines. Enter this total amount on:

- line 220 for a corporation becoming a CCPC;
- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Part 5 – General rate factor for the tax year

Complete this part to calculate the general rate factor for the tax year.

0.68	x	number of days in the tax year before January 1, 2010 / number of days in the tax year	/ 365	. . . . =		QQ
0.69	x	number of days in the tax year in 2010 / number of days in the tax year	/ 365	. . . . =		RR
0.7	x	number of days in the tax year in 2011 / number of days in the tax year	/ 365	. . . . =		SS
0.72	x	number of days in the tax year after December 31, 2011 / number of days in the tax year	365 / 365	. . . . =	0.720000000	TT

General rate factor for the tax year (total of lines QQ to TT) . . . . 0.72000 UU

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Schedule 500

Ontario Corporation Tax Calculation

Corporation's name	Business number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 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 *	106,882	B
Ontario basic income tax: amount B **multiplied** by Ontario basic rate of tax for the year (rate A3 from Part 1)	12,291	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)	497,166	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	106,882	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	125,000	3
Enter the least of amounts 1, 2, and 3	106,882	D

Ontario domestic factor: Ontario taxable income * / Taxable income earned in all provinces and territories ** = 106,882.00 / 106,882 = 1.00000 E

Amount D x factor E	106,882	a
Ontario taxable income (amount B from Part 2)	106,882	b

Ontario small business income (lesser of amount a and amount b) . . . 106,882 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) . . . 7,482 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) . . . 106,882 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 508

ONTARIO RESEARCH AND DEVELOPMENT TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 RC0001	2013-12-31

- Use this schedule to:
  - calculate an Ontario research and development tax credit (ORDTC);
  - claim an ORDTC earned in the tax year or carried forward from any of the 20 previous tax years that are a tax year ending after December 31, 2008, to reduce Ontario corporate income tax payable in the current tax year;
  - carry back an ORDTC to reduce Ontario corporate income tax payable in any of the three previous tax years, but not to a tax year that ends before January 1, 2009;
  - add an ORDTC that was allocated to the corporation by a partnership of which it was a member;
  - transfer an ORDTC after an amalgamation or windup; or
  - calculate a recapture of the ORDTC.
- The ORDTC is a 4.5% non-refundable tax credit on eligible expenditures incurred by a corporation in a tax year that ends after December 31, 2008.
- An eligible expenditure is an expenditure for a permanent establishment in Ontario of a corporation, that is a qualified expenditure for the purposes of section 127 of the federal *Income Tax Act* for scientific research and experimental development (SR&ED) carried on in Ontario.
- Only corporations that are not exempt from Ontario corporate income tax and none of whose income is exempt income can claim the ORDTC.
- Attach a completed copy of this schedule to the *T2 Corporation Income Tax Return.*

Part 1 – Ontario SR&ED expenditure pool

Total eligible expenditures incurred by the corporation in Ontario in the tax year	100	79,597	A		
Deduct: Government assistance, non-government assistance, or a contract payment for eligible expenditures	105		B		
Net eligible expenditures for the tax year (amount A **minus** amount B) (if negative, enter "0")		79,597	C		
Add: Eligible expenditures transferred to the corporation by another corporation	110		D		
Subtotal (amount C **plus** amount D)		79,597	▶	79,597	E
Deduct: Eligible expenditures the corporation transferred to another corporation			115		F
Ontario SR&ED expenditure pool (amount E **minus** amount F) (if negative, enter "0")			120	79,597	G

Part 2 – Calculation of the current part of the ORDTC

Ontario SR&ED expenditure pool (amount G in Part 1)			79,597	x 4.50 % =	200	3,582	H
ORDTC allocated to a corporation by a partnership of which it is a member (other than a specified member) for a fiscal period that ends in the corporation's tax year *					205		I

* If there is a disposal or change of use of eligible property, see Part 6

Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure other than for first term or second term shared-use equipment		210		x 4.50 % =	215		J
Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure for first term or second term shared-use equipment	220	x 1 / 4 =		x 4.50 % =	225		K
Current part of the ORDTC (total of amounts H to K)					230	3,582	L

T2 SCH 508 E

Canada

Part 3 – Calculation of ORDTC available for deduction and ORDTC balance

ORDTC balance at the end of the previous tax year			5,055	M	
Deduct: ORDTC expired after 20 tax years		300		N	
ORDTC at the beginning of the tax year (amount M **minus** amount N)		305	5,055	O	
Add:					
ORDTC transferred on amalgamation or windup		310		P	
Current part of ORDTC (amount L in Part 2)	3,582 Q				

Are you waiving all or part of the current part of the ORDTC? . . . . . . **315** Yes 1 ☐ No 2 ☒

If you answered **yes** at line 315, enter the amount of the tax credit waived on line 320.

If you answered **no** at line 315, enter "0" on line 320.

Deduct: Waiver of the current part of the ORDTC **320**	R				
Subtotal (amount Q **minus** amount R)	3,582 ▶		3,582	S	
ORDTC available for deduction (total of amounts O, P and S)			8,637 ▶		8,637 T
Deduct:					
ORDTC claimed * (Enter amount U on line 416 of Schedule 5, *Tax Calculation Supplementary – Corporations*)			4,809	U	
ORDTC carried back to a previous tax year (from Part 4)				V	
Subtotal (amount U **plus** amount V)			4,809 ▶		4,809 W
ORDTC balance at the end of the tax year (amount T **minus** amount W)				325	3,828 X

* This amount cannot be more than the lesser of the following amounts:
- – ORDTC available for deduction (amount T); or
- – Ontario corporate income tax payable before the ORDTC and the Ontario corporate minimum tax credit (amount from line E6 of Schedule 5).

Part 4 – Request for carryback of tax credit

	Year Month Day			
1st previous tax year	2012-12-31	Credit to be applied	901	
2nd previous tax year	2011-12-31	Credit to be applied	902	
3rd previous tax year	2010-12-31	Credit to be applied	903	

Total (enter amount on line V in Part 3) ____________

Part 5 – Analysis of tax credit available for carryforward by tax year of origin

You can complete this part to show all the credits from preceding tax years available for carryforward, by year of origin. This will help you determine the amount of credit that could expire in following years.

Tax year of origin (earliest tax year first) Year Month Day	Credit available
1993-12-31	
1994-12-31	
1995-12-31	
1996-12-31	
1997-12-31	
1998-12-31	
1999-12-31	
2000-12-31	
2001-12-31	
2002-12-31	

	Tax year of origin (earliest tax year first) Year Month Day	Credit available
	2003-12-31	
	2004-12-31	
	2005-12-31	
	2006-12-31	
	2007-12-31	
	2008-12-31	
	2009-12-31	
	2010-12-31	
	2011-12-31	
	2012-12-31	246
Current tax year	2013-12-31	3,582

Total (equals line 325 in Part 3) 3,828

The amount available from the 20th preceding tax year will expire after this year. When you file your return for the next year, you will enter the expired amount on line 300 of Schedule 508 for that year.

Part 6 – Calculation of a recapture of ORDTC

You will have a recapture of ORDTC in a tax year when you meet **all** of the following conditions:

- you acquired a particular property in the current year or in any of the 20 previous tax years if the ORDTC was earned in a tax year ending after 2008;
- you claimed the cost of the property as an eligible expenditure for the ORDTC;
- the cost of the property was included in computing your ORDTC or was subject to an agreement made under subsection 127(13) of the federal Act to transfer qualified expenditures and section 42 of the *Taxation Act, 2007* (Ontario) applied; and
- you disposed of the property or converted it to commercial use in a tax year ending after December 31, 2008. You also meet this condition if you disposed of or converted to commercial use a property which 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 in Ontario. 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 federal investment tax credit (ITC) rate * of the original user in Calculation 1 below.

You have to report the recapture on Schedule 5 for the year in which you disposed of the property or converted it to commercial use. If the corporation is a member of a partnership, report its share of the recapture.

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.

* Federal ITC in calculations 1 and 2 should be determined without reference to paragraph (e) of the definition **investment tax credit** in subsection 127(9) of the federal Act.

Calculation 1 – If you meet all of the above conditions

	Y Amount of federal ITC you originally calculated for the property you acquired, or the original user's federal ITC where you acquired the property from a non-arm's length party, as described in the note above 700	Z Amount calculated using the federal 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	AA Amount from column 700 or 710, whichever is less
1.			

Subtotal (enter amount BB, on line KK in Part 7) BB

Calculation 2 – If the corporation is deemed by subsection 42(1) of the *Taxation Act, 2007* (Ontario) to have transferred all or part of the eligible expenditure to another corporation as a consequence of an agreement described in subsection 127(13) of the federal Act complete Calculation 2. Otherwise, enter nil on line II.

	CC The rate percentage that the transferee used to determine its federal ITC for a qualified expenditure that was transferred under an agreement under subsection 127(13) of the federal Act 720	DD The proceeds of disposition of the property if you dispose of it to a person at arm's length; or, in any other case, the fair market value of the property at conversion or disposition 730	EE The 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 for an agreement under subsection 127(13) of the federal Act) 740
1.			

	FF Amount determined by the formula (CC x DD) – EE (using the columns above)	GG The federal ITC earned by the transferee for the qualified expenditure that was transferred 750	HH Amount from column FF or GG, whichever is less
1.			

Subtotal (enter amount II on line LL below) ______ II

Calculation 3

As a member of a partnership, you will report your share of the ORDTC of the partnership after the ORDTC has been reduced by the amount of the recapture. If this is a positive amount, you will report it on line 205 in Part 2. However, if the partnership does not have enough ORDTC otherwise available to offset the recapture, then the amount by which reductions to the ORDTC exceeds additions (the excess) will be determined and reported on line JJ.

Corporate partner's share of the excess of ORDTC (enter amount JJ at line NN below) . . . . **760** ______ JJ

Part 7 – Total recapture of ORDTC

Recaptured federal ITC for Calculation 1 (amount from line BB) . . . . ______ KK

Recaptured federal ITC for Calculation 2 (amount from line II above) . . . . ______ LL

Amount KK **plus** amount LL . . . . ______ x 23.56 % = ______ MM

Add: Corporate partner's share of the excess of ORDTC for Calculation 3 (amount from line JJ above) . . . . ______ NN

Recapture of ORDTC (amount MM **plus** amount NN) (enter amount OO on line 277 of Schedule 5) . . . . ______ OO

Schedule A - Worksheet for eligible expenditures incurred by the corporation in Ontario for the current taxation year

This worksheet allows you to report the amount of eligible expenditures entered on Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim* which represents eligible expenditures as defined in section 127 of the *Income Tax Act* (ITA) with regard to scientific research and experimental development (SR&ED) **carried on in Ontario and attributable to a permanent establishment in Ontario of a corporation**.

Data on the worksheet is calculated based on the amounts on Form T661, but will have to be adjusted according to the rules of Ontario, if applicable, in particular when the corporation has had a permanent establishment in more than one jurisdiction. This data will be used when calculating Schedule 508 and Schedule 566.

Enter the breakdown between current and capital expenditures

		Current Expenditures		Capital Expenditures	
Total expenditures for SR&ED		80,587			
Add					
• payment of prior years' unpaid expenses (other than salary or wages)	+				
• prescribed proxy amount (Enter "0" if you use the traditional method)	+	11,305			
• expenditures on shared-use equipment			+		
• other additions	+		+		
Subtotal	=	91,892	=		
Less					
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	–				
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	–				
• 20% of contract expenditures for SR&ED performed on your behalf	–	12,295			
• prescribed expenditures not allowed by regulations	–		–		
• other deductions	–		–		
• non-arm's length transactions					
– expenditures for non-arm's length SR&ED contracts	–				
– purchases (limited to costs) of goods and services from non-arm's length suppliers	–		–		
Subtotal	=	79,597 I	=		II
Total eligible expenditures incurred by the corporation in Ontario in the tax year (add amount I and II)			=	79,597	III

Enter amount III on line 100 of Schedule 508.

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
St. Thomas Energy Inc.	89052 2014 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)
St. Thomas Energy 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		2000-11-03	1448635

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
135	Edward 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
St Thomas	ON	CA	N5P 4A9

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 Farrow (Last name) **451** Glen (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.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 552

ONTARIO APPRENTICESHIP TRAINING TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
St. Thomas Energy Inc.	89052 2014 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
Glen Farrow	(519) 631-5550

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

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:

$$\text{Specified percentage} = 30\,\% - \left[5\,\% \times \frac{(\text{amount on line 300} \textbf{ minus } 400{,}000)}{200{,}000} \right]$$

Specified percentage . . . . **310** 30.000 %

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:

$$\text{Specified percentage} = 45\,\% - \left[10\,\% \times \frac{(\text{amount on line 300} \textbf{ minus } 400{,}000)}{200{,}000} \right]$$

Specified percentage . . . . **312** 45.000 %

* 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	Shawn Gaudon

	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.	AL9844	2010-10-19	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.		62,716	62,716	28,222

	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.

4-Staff-31

Ref: Ex. 4/T. 1/Sch. 12/Att. 3, PILs model

In the test year, STEI used 1/5 of the 2014 non-capital loss of $211,350. Past Board practice is to include the full non-capital loss in the next year. Please revise 2015 PILS to reflect the usage of the full 2014 non-capital loss in the 2015 test year.\

Response:

STEI does not believe that this would be a fair representation of the test year to use the full $211,350 loss carry forward. This is because it is believed that the test year is supposed to be representative of the 2015 to 2019 period and not include any one time costs or recoveries.

To include the full amount for the purposes of setting the rates would have the same impact as recognizing 100% of the cost of the rate application in 2015. The impact over the following five years would be higher than should be.

In reviewing the impact on a financial basis, Exhibit 1 (attached) shows the detail of the impact on STEI.

As noted in the first net present value ("NPV") calculation, the cumulative effect of the loss spread equally over five years (as presented) represents a positive impact of $48,033 (per A. in Exhibit 1).

If the full amount was recognized in 2015 only, the NPV would be higher at $53,164 (per B. in Exhibit 1). The negative impact is that if the rates are based off of the loss carry forward used 100% in the test year, and then STEI will not be compensated for the period 2016 to 2019. The impact would be a negative result of $187,001 (per C. in Exhibit 1).

Therefore, STEI believes that the fairest approach to recognizing the loss carry forward is to recognize the loss in the test year on a 1/5 basis (as filed). If not, the STEI would be penalized $130,993 in value over the period.

St. Thomas Energy Inc.
- Loss Carry Forward Analysis -

Loss Carry Forward	$ 211,350
Combined Tax Rate	**26.50%**

	OEB Rate	Weight	After Tax Shield	After Tax Rate
Cost of Debt - ST	2.07	**4%**	**74%**	0.06
Cost of Debt - LT	4.12	**56%**	**74%**	1.70
Cost of Equity	8.98	**40%**	**100%**	3.59
	Weighted Average Cost of Capital			**5.35**

	2015	2016	2017	2018	2019
Current Filing	42,270	42,270	42,270	42,270	42,270
Tax rate	26.50%	26.50%	26.50%	26.50%	26.50%
Tax savings per year	11,202	11,202	11,202	11,202	11,202
Present Value by Year	10,633	10,093	9,581	9,094	8,632

Total NPV of savings	**48,033**	**A.**

	2015
Requested approach	211,350
Tax rate	26.50%
Tax savings	56,008

Total NPV of savings	**53,164**	**B.**	5,131

	2016	2017	2018	2019
Future year impact	(211,350)	(211,350)	(211,350)	(211,350)
Tax rate	26.50%	26.50%	26.50%	26.50%
Tax savings (loss) per year	(56,008)	(56,008)	(56,008)	(56,008)
Present Value by Year	(50,465)	(47,903)	(45,471)	(43,162)

Loss of in future	**(187,001)**	**C.**

1

St.Thomasenergyinc.
We're Your Local Power Distributor

File Number: EB-2014-0113

Date Filed: September 9, 2014

Tab 6 of 8

Exhibit 6

6-Staff-32

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

Response:

STEI will provide an updated RRFW after the discovery phase of this proceeding is completed and before the settlement conference. STEI will include documentation of the corrections and adjustments, if any, with a reference to the relevant interrogatory responses.

Tab 7 of 8

Exhibit 8

8-Staff-33

Ref: Ex. 8/T. 1/Sch. 6, page 5

At the above reference, STEI states that the decrease in other revenues from 2013 to 2014 is "mainly attributed to the one-time items recovered in 2013 that amounted to $260,000." Please provide further details regarding the one-time items that were recovered in 2013.

Response:

As provided in STEI's 2013 MD&A, the $260,000 increase is mainly attributed to; approximately $130,000 thousand of recoverable revenue for work performed in 2011 (under AESI), $67,000 of Conservation and Demand Management funding for the 2010 Electricity Retrofit Incentive Program (ERIP) and $63,000 for the recovery of HST and debt retirement charges related to bad debt write-offs for the years 2009 to 2012.

8-Staff-34

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

Response:

STEI will provide an updated Appendix 2-W, Customer Bill Impacts, for all classes once all interrogatories have been reviewed.

Tab 8 of 8

Exhibit 9

9-Staff-35

Ref: Ex. 9/T. 1/Sch. 3, page 2

Ref: Filing Requirements Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

STEI has not requested Account 1508 Other Regulatory Asset, Sub-account Deferred IFRS Transition Costs for disposition. Per chapter 2, page 61 of the Filing Requirements, an applicant should request for review and disposal of the account for the balance including the unaudited actuals for the bridge year and a forecast of any remaining costs to be incurred for the test year. Board staff acknowledges that STEI filed its application before this change was made to the Filing Requirements and that its original request was consistent with the requirements, at the time. However, please quantify these costs and the related carrying charges to December 31, 2014 and update the evidence.

Response:

As shown in the following table, STEI has updated the 1508 Other Regulatory Asset, Sub-account Deferred IFRS Transition Costs to include carrying charges until December 31, 2014 and has included $50,000 of forecasted additional costs in 2015. STEI is not seeking disposition account 1508 Other Regulatory Asset, Sub-account Deferred IFRS Transition Costs. STEI will request disposition at the earliest time possible with actual costs, following IFRS implementation.

Account 1508 - Other Regulatory Assets
Sub-account Deferred IFRS Transition Costs

	Principal 31-Dec-13	Interest 31-Dec-13	Projected interest 31-Dec-14	Additional cost Estimate 2015	**Total**
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	**61,206**	**2,717**	**900**	**50,000**	**114,823**

9-Staff-36

Ref: Ex. 9/T. 1/Sch. 3, page 2

Ref: Ex. 1/T. 5/Sch. 3/Att. 2 and 3

In Exhibit 9, STEI indicated that it has prepared financial statements under MIFRS. However, the 2012 and 2013 financial statements in the evidence indicate that they are in accordance with CGAAP. Please clarify whether STEI has financial statements under MIFRS.

Response:

The 2012 and 2013 financial statements have been prepared under CGAAP.

9-Staff-37

Ref: Ex. 9/T. 1/Sch. 5, page 2, Appendix 2-ED

Ref: Ex. 1/T. 5/Sch. 17/Att. 2.1

Ref: Accounting Procedures Handbook ("APH") FAQ July 2012, Appendix A

Per APH FAQ July 2012, Appendix A, Account 1576 is to record the financial differences arising as a result of accounting changes to depreciation expense and capitalization policies permitted by the Board under Canadian GAAP in 2012 or as mandated by the Board in 2013

a) Per Exhibit 1, capital assets had been constructed by STEI's affiliate AESI and had been treated as purchased asset acquisitions from the related party. This indicates that STEI did not capitalize any overheads on self-constructed assets in the past. Starting January 1, 2012, STEI indicated that it will only capitalize directly attributable costs in the cost of self-constructed assets. As such, there is no accounting difference in the capitalization policy.
   i. In comparison to the 2012 to 2014 additions in PP&E under revised CGAAP, please explain how STEI estimated the 2012 to 2014 additions in PP&E values under former CGAAP of Appendix 2-ED.
   ii. Please recalculate Account 1576 assuming only depreciation changes and no capitalization changes.

b) Please explain how STEI recorded costs incurred from its Master Service Agreement with affiliate companies prior to the restructuring in 2012 (i.e. what costs were capitalized or expensed and on what basis).

Response:

a)
   i. STEI considered it fair and prudent to include the impact of restructuring in determining account 1576 changes. In other words, it is believed that the underlying intention of this account was to estimate the overall substance of the difference between the previous CGAAP full cost approach to capital and the related depreciation measurement. To attempt to isolate the one piece without the other

because of the overall "form" of the process would unfairly impact either the LDC or the rate payer in this case.

The impact of restructuring resulted in a significant reduction in the cost of capital additions that formed the basis of the 2011 COS Decision, with the elimination of the MSA. STEI is of the view that this is a unique situation and that these additions cannot be considered as "typical" third party additions as STEI was cognizant of the fact the restructuring would result in lower capital additions thereby reducing the value of the rate base.

As shown in the table below, STEI re-calculated the capital additions in accordance with the former MSA versus the actual costs, which results in a $2,982,232 difference. The capital administration amount of $464,449 reflects additional changes to policy, however in an effort to be conservative, limit the impact on customers and to "reset" the variance to a 2011 COS Board Approved comparative, STEI reduced the MSA difference by this amount resulting in a net increase of $2,517,783. However, this amount could in fact be added back resulting in a before amortization difference of $3,446,681 and a variance of $1,013,917 versus the $85,019 provided in Appendix 2-EB.

Account 1576 Changes

Capital	Actual	MSA	Difference	Capital Admin	Policy Change	Amortization	Net
2012	1,938,481	2,934,971	996,490	134,445	862,045	(816,124)	45,921
2013	2,045,704	2,976,108	930,404	140,425	789,978	(806,836)	(16,858)
2014TY	1,800,000	2,855,338	1,055,338	189,578	865,760	(809,804)	55,956
Total	**5,784,185**	**8,766,417**	**2,982,232**	**464,449**	**2,517,783**	**(2,432,764)**	**85,019**

ii. STEI wants to emphasize that the restructuring resulted in a significant reduction to the capital costs on which the 2011 COS Decision was based upon. Therefore this change needs to be considered with the account 1576 changes and that by only showing the changes in amortization in Appendix 2-ED is misleading and therefore

STEI has not provided the table. The components of the account have been provided in the above table.

b) STEI recorded costs on an activity basis, that being, all costs associated with capital activities were capitalized and all activities relating to operating, maintenance and administrative costs were expensed.

9-Staff-38

Ref: Ex. 9/T. 1/Sch. 6, page 1

STEI stated that it has not been tracking the incremental costs for providing retail services per Article 490, but will endeavor to quantify the variance. Please quantify the amounts for Account 1518 RCVA Retail and Account 1548 RCVA STR from January 1,
2010, after STEI's last Group 2 DVA disposition in its 2011 cost of service rate application.

Response:

STEI does not have the current resources or information available at this time to be able to calculate the variance from January 1, 2010.

9-Staff-39

Ref: Ex. 9/T. 1/Sch. 7/Att. 1, EDDVAR Continuity Schedule

In the EDDVAR continuity schedule for Account 1595 (2012),

a) In 2012, please confirm that the ($49,929) in the Transactions Debit/(Credit) during 2012 column represents the net amount transferred to the account as per STEI's 2012 IRM decision and the rate riders collected in 2012. If not, please explain what the balance is comprised of.

b) In 2012, please confirm that the ($4,508) in the Interest Jan-1 to Dec-31-12 column represents the net amount transferred to the account as per STEI's 2012 IRM decision and the carrying charges calculated on the balance in 2012. If not please explain what the balance is comprised of.

c) In 2013, please explain what the ($278,574) in the Other Adjustments during Q2 2013 column is.

Response:

a) STEI confirms that amount represents the net amount transferred to the account as per STEI's 2012 IRM decision and the rate riders collected in 2012.

b) STEI confirms that amount represents the net amount transferred to the account as per STEI's 2012 IRM decision and the carrying charges calculated on the balance in 2012.

c) The ($278,574) represents the disposition of account 1562 Deferred Payments in Lieu of Taxes that was refunded to rate payers per EB-2011-0196.

9-Staff-40

Ref: Ex. 9/T. 1/Sch. 7, page 2, Table 9-4

Ref: Ex. 9/T. 1/Sch. 7/Att. 1, EDDVAR Continuity Schedule

For Account 1595 (2011),

a) Please confirm that the balance for Account 1595 (2011) is actually Account 1595 (2014), relating to amounts approved for disposition in STEI's 2014 IRM Decision (EB-2013-0171).

b) If it is not actually Account 1595 (2014), please explain what the account is for as STEI's Group 1 balance as at December 31, 2012 was already approved for disposition in STEI's 2014 IRM.

c) Please update the evidence as appropriate.

Response:

a) STEI confirms that Account 1595 (2011) is related to the approved disposition in STEI's 2014 IRM Decision (EB-2013-0171). The 1595 (2011) recovery is the amount remaining from the 2011 RSVA disposition.

b) No response required see a)

c) No update required see a)

9-Staff-41

Ref: Ex. 9/T. 1/Sch. 7, page 2, Table 9-4

Ref: STEI 2013 IRM Decision EB-2012-0166

Ref: Decision and Order EB-2012-0100/EB-2012-0211

In STEI's 2013 IRM Decision, the Smart Metering Entity charge was referenced as a charge effective May 1, 2013 for distributors in the Board's annual Yearbook of Electricity Distributors. Per Decision and Order EB-2012-0100/EB-2012-0211, distributors are to use Account 1551 Smart Metering Entity Charge Variance Account.

This account is classified as a Group 1 account. STEI has not requested this account for disposition in Table 9-4. Please quantify the amount in the account and explain why it is not requested for disposition. Please update the evidence as necessary.

Response:

Account 1581, Smart Meter Entity Charge was not included in the EDVAR Continuity Schedule and as such the amount was overlooked.

The table on the following page provides the estimated SME variance of $19,740. STEI does not feel that this amount warrants changing the RSVA disposition at this time, but is willing to update as necessary prior to a settlement hearing.

SMART METER ENTITY CHARGE VARIANCE ACCOUNT

	Principal 31-Dec-13	Interest 31-Dec-13	Principal 31-Jul-14	Principal Forecast	Projected interest 31-Dec-14	Total
Charge	115,262	109	90,287	64,488	143	**270,289**
Recovery	105,500		92,007	53,042		250,549
Variance	**9,762**	**109**	**- 1,720**	**11,446**	**143**	**19,740**

9-Staff-42

Ref: Ex. 9/T. 1/Sch. 10, page 1

STEI states that it "is unable to calculate the specific recovery of the NBV by class and as such is seeking a Residential and GS<50 kW recovery based upon 2015TY customer count."

a) What were the installation costs for each of the meter types of the removed stranded meters for each class?

d) How many meters of each type were removed from service for each class?

e) Using the responses to a) and b) please provide an allocation of the remaining net book value of stranded meter costs for each class using a weighted average of the installation costs for the associated meters. Please provide updated calculations of the Stranded Meter Rate Rider using this allocation.

Response:

a) Based upon information extracted from the EB-2010-0141 cost allocation model, residential meter install costs were $50.00 and GS < 50 kW meter installed costs averaged $107.26.

d) As shown in the Board Smart Meter model provided in EB-2012-0348, 14,632 residential meters and 1,655 GS < 50 kW meters were removed.

e) STEI has calculated the weighted average of the installed meter costs based upon the number of meters removed per the Board Smart Meter model included in Board Decision and Order EB-2012-0348 and the average installed metered costs based upon the cost allocation model included in EB-2010-0141.

As provided in the following table, 80.5% of the stranded meter costs would be recovered from the residential customer class and 19.5% from the GS < 50 kW customer class.

	Meters Removed from Service	Average meter installed costs	Total	weighted Average
Residential	14,632	50.00	731,600	80.5%
GS < 50 kw	1,655	107.26	177,515	19.5%
	16,287		909,115	

Using the same customer forecast included in the 2015 COS application the stranded meter rate rider would change from $0.42 per residential and GS < 50 kW customer to $0.37 per residential customer and $0.79 per GS < 50 kW customer over a five-year period commencing January 1, 2015.

STRANDED METER RECOVERY
AS AT JANUARY 1, 2015

Gross assets		2,278,507
Accumulated Depreciation		(1,690,378)
Book Value		**588,129**
Contriubted Capital		(295,793)
Accumulated Depreciation		130,168
Book Value		**(165,625)**
Stranded Meter Net Book Value		**422,504**
Residential		80.5%
GS < 50 kW		19.5%
Total		**100%**
Residential Recovery		**340,005.20**
GS < 50 Recovery		**82,498.80**
Total		**422,504.00**
2015 Customer Forecast		
Residential		15,120
GS < 50 kW		1,737
Total		**16,857**
Residential Recovery per customer		**22.49**
# of Years	**5**	**4.50**
Rate rider per month		**0.37**
GS < 50 kW Recovery per customer		**47.49**
# of Years	**5**	**9.50**
Rate rider per month		**0.79**