File Number: EB-2014-0096

Date Filed: September 23, 2014

Exhibit 4

OPERATING COSTS

niagara peninsula energy Inc.

File Number: EB-2014-0096

Date Filed: September 23, 2014

Exhibit 4

Tab 1 of 6

Overview

Overview

The 2015 Rebasing Application represents an increase of $2,889k or 20.4% in OM&A (including taxes other than income taxes) over the last year of actual financial results, being the 2013 Actuals. This increase is the result of the transition of smart meters into operations.

1.0 Background:

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

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

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

2.0 OM&A Test Year Levels

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

The total net amount claimed for OM&A in the 2015 Test Year is $17,042K. The amount claimed in the Test Year includes assumed across-the-board inflation factors. Salaries and wages represent an increase over 2014 levels plus an adjustment for 2015. A 2.5% increase has been assumed for all employees in the 2015 test year. NPEI's Collective Agreement expires March 31, 2015. All other remaining costs have been budgeted based on individual consideration of each budget item or forecasted inflationary increases of 2.0% where appropriate. The principle of forecasting cost changes applies to progression increases in pay for staff, contracted services, fuel, energy, insurance costs, software maintenance fees, etc.

A primary driver of the variance in any given year relates to the level of costs capitalized or reallocated.

In effect, therefore, the level of capitalization and re-allocation of costs is a significant and material contributor to cost efficiencies for NPEI. One of the purposes of an IRM Regime is to encourage LDCs to realize savings during the IRM period with the consequence that the Board will, then, build those savings into the COS Rates that follow to the extent the efficiencies are sustainable.

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

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

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

This 2015 COS Application will capture efficiencies realized by the utility since 2011, but it must also ensure that the costs claimed are sustainable. In addition, the amount claimed must account for new obligations imposed upon the utility and those costs beyond the control of utility management. If a blanket inflation factor were to be applied, without consideration of new cost drivers, the resulting rate might hinder the ability of a utility to maintain its system and provide the level of service required by the OEB and expected by its customers.

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

Total OM&A for 2015 is $17,042K which is $2,889K or 20.4% higher than the 2013 actuals. There are four main cost drivers; the impact of smart meters included in OM&A in 2015; the water activities from its affiliated services returning to the City of Niagara Falls; wage and benefit increases of 3.1% in 2014 and an estimated at 2.5% in 2015; and inflationary increases from 2013 to 2015 estimated at 2.0% annually. The following accounts for approximately 90% of the $2,889K increase.

- Labour accounts for $1,651K of the $2,889K increase or 57.1%. Inflationary wage increases of 3.1% in 2014 and 2.5% in 2015 account for $505K. The Controller was on a maternity leave in 2013 for 5 months and is included in 2015 for a full year which has a $67K impact. The impact of water returning to the City of Niagara Falls has an increase of $561K. Two smart meter coordinators being added to OM&A in 2015 has an impact of $188K. An additional systems analyst expected to be hired in late 2014 has an impact of $111K. Short term medical leaves in 2013 in the billing and customer service departments equivalent to two FTE's, returned to work in 2014 for an impact of $218K. When an employee is sick, their wages are recorded to sick time expense which is part of the payroll overhead burden.

- Meter reading has increased $325K in the 2015 test year from the 2013 actuals. Meter reading expenses related to smart meters previously recorded in account

1556 has an impact of $200K. Meter reading expenses related to the conversion of 915 conventional meters to MIST meters has and impact of $132K on OM&A in 2015.

- Previously recovered costs related to the $4.20 per water only bill has an impact of $337K, offset by a reduction in postage, billing forms, supplies, and two third party contracts for a cashier and a receptionist totalling ($129K). For example, the cost of an envelope, bill, and postage was split between hydro and water equally, with the water activity now reverted back to the City of Niagara Falls the full cost of the envelope, bill and postage are now included in OM&A.

- Outsource of the mailing activities in 2015 due to the age of the current machine, which has caused delays in mailing. The impact is an increase of $102K in the 2015 test year.

- Increased general and administration expenses related to legal fees, consulting, regulatory, utility bills, and property taxes has an impact of $197K. There has been a trend over the last couple of years for labour issues to go directly to mediation and/or arbitration.

4.0 Business Environment Changes

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

Smart Meters represented one of the biggest capital projects in the history of NPEI and placed significant demands on the utility's resources and employees. The capitalization of labour for Smart Meters has artificially lowered the net OM&A in 2011, 2012 and 2013. Growth in the information technology and meter reading expenses can be linked to the implementation of smart meters. New services being managed through IT as a result of smart meters are impacting OM&A costs. Also, the annual costs related to security audits of the smart meter network and web-based application amount to an increase of $60K. On an ongoing basis, the impact of Smart Meters on OM&A in the 2015 Test Year is a net increase in OM&A of $448K as compared to the 2013 actuals.

Finally, we have faced numerous challenges leading up to the 2015 Test Year including the *Green Energy and Green Economy Act*, ESA regulation, and Smart Meters. The new challenges expected in the future include renewal in two forms. First, regulatory industry reform anticipated due to the Renewed Regulatory Framework for Electricity and the recommendations of the Distribution Sector Review Panel. Second, renewal of distribution infrastructure as we focus as a utility on the Asset Management Plan developed.

5.0 Other Matters

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

- Exhibit 4, Tab 3 contains the discussion of Shared Services related to the water billing, collecting, customer service and cashiering and the impact on OM&A.
- Exhibit 4, Tab 4 contains a discussion of Depreciation and Amortization, wherein NPEI confirms we are within the range of the useful lives contained in the Kinetrics Study.
- Exhibit 4, Tab 5 contains the discussion of Payments in Lieu of Taxes (PILs) including an overview of the provision for PILs.

Exhibit 4

Tab 2 of 6

Summary and Cost Driver Tables

Summary and Cost Driver Tables

The following is a description of the primary cost drivers that have influenced NPEI's OM&A expenditures since its last rebasing application in 2011.

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

- 2-JA summarizes recoverable OM&A expenses for the 2011 Board approved year through to the 2015 test year.
- 2-JB summarizes the material OM&A cost drivers, common cost drivers or recurring expenditures that have impacted multiple years for the 2011 Board approved through to the 2015 test year.
- 2-L summarizes recoverable OM&A cost per customer and per FTE for the 2011 Board approved year through to the 2015 test year. Customer numbers used in 2-L agree to the customer numbers used for the purposes of calculating the load forecast. Customer numbers are based on the average number of customers billed in that year. The definition of an FTE is as described in E4/T3/S2.
- 2-D summarizes the OM&A that is capitalized. Prior to January 1, 2011, NPEI capitalized a percentage of the stores department and a percentage of the garage department. Also, NPEI included in its overhead burden training expenses. NPEI does not capitalize any portion of management wages nor does it capitalize administration costs or engineering burdens. NPEI only capitalizes direct labour and payroll overhead burdens. NPEI reviewed its capitalization policy with KPMG at the same time componentization and asset useful lives were discussed. Effective January 1, 2011, NPEI no longer capitalized any portion of the stores, garage or training expenses. The only portion of OM&A expenses capitalized are employee benefits including CPP, EI, WSIB, EHT, pension, other

employee benefits, life insurance, health and dental insurance etc. NPEI's total wages excluding benefits from 2011 Board approved to the 2015 Test year are shown in the top portion of Appendix 2-D. NPEI's total employee benefits are shown in the bottom portion of Appendix 2-D. The resulting calculation is a benefit percentage of total wages. Table 4-1 below illustrates total wages and benefits capitalized and total wages and benefits including CDM, smart meter and wages recovered from affiliates from 2011 to 2015. Note CDM wages are not included in NPEI's OM&A recoverable expenses since these costs are funded by the province-wide CDM programs but these costs are included in the table below to in order to calculate a total benefit percentage. Also, smart meter wages are only included in NPEI's recoverable OM&A in 2014 and 2015 as well the wages recovered for water related activities are only included in NPEI's recoverable OM&A commencing in 2014 and 2015.

Table 4-1 Wages and benefits capitalized vs. OM&A

	2011	2012	2013	2014	2015
Total wages & Benefits - not capitalized	9,772,028.00	10,124,993.00	10,025,483.00	10,530,676.00	10,978,742.00
Total Capitalized Labour & Benefits	2,501,334.94	2,892,904.62	3,519,694.90	3,651,562.99	4,089,367.23
Total wages & benefits	12,273,362.94	13,017,897.62	13,545,177.90	14,182,238.99	15,068,109.23
% of wages and benefits included in OM&A	79.62%	77.78%	74.02%	74.25%	72.86%
% of wages and benefits capitalized	20.38%	22.22%	25.98%	25.75%	27.14%

The IFRS capitalization policy changes mandated by the Ontario Energy Board were implemented by NPEI effective January 1, 2011. As a result there is no impact in the 2015 COS rate application related to the accounting policy changes that were required (beginning January 1, 2013) to overhead capitalization policies to ensure the policies being used are IFRS compliant in preparation for IFRS conversion in 2015.

NPEI Cost Driver Descriptions:

Highlighted below are the material cost drivers identified in Appendix 2-JB along with a description of the reason for the cost driver in the particular year. Note that Appendix 2-JB includes other cost drivers that are not specifically discussed below as they are immaterial (based on a materiality level of $140K as noted above but they were included in the table for consistency purposes. The top portion of Appendix 2-JB relates to labour and the lower portion relates to outside services and other costs.

2011 Board approved OM&A expenses compared to 2011 Actual OM&A expenses

There were two material cost drivers in 2011. Engineering technicians performed more operational activities than capital activities that were included in the 2011 Board approved amount. Actual vehicle maintenance costs were $189K higher in 2011 than the Board approved amount. Two of NPEI's older large bucket trucks required significant repairs and maintenance expenditures in 2011. These costs decreased in 2012 by $76K.

2012 Actuals compared to 2011 Actuals

In 2012 the OMERS premium charged to OM&A increased by $149K. The OMERS premium rates have increased since 2010 as identified in Table 4-2 below. In addition fluctuations in labour costs due to wage increases and changes in FTE's have impacted the OMERS premiums paid by the company. As per the Table 4-1 above, 79.62% of total wages resides in OM&A in 2011, therefore, 79.62% of the total OMERS premium increase is included as a cost driver on Appendix 2-JB.

Table 4-2 OMERS premium rates

OMERS Premium Rates					
Year	YMPE	YMPE	YMPE	Employer	
		Below	Above	Portion	Increase
2010	$47,200	6.4%	9.7%	636,585	
2011	$48,300	7.4%	10.7%	744,039	107,454
2012	$50,100	8.3%	12.8%	930,673	186,634
2013	$51,100	9.0%	14.6%	1,076,748	146,075
2014	$52,500	9.0%	14.6%	1,127,067	50,319
2015 (Estimate)	$52,500	9.0%	14.6%	1,156,712	29,645

Meter reading costs in 2012 were $174K less than the meter reading costs in 2011. NPEI had 48,000 residential and GS< 50kW smart meters installed by the end of 2011. The meter reading costs associated with the smart meters were recorded in account 1556 from the period 2010 to 2013. As a result OM&A meter reading costs only included meter reading expenses for non-smart meter customers.

In 2011, NPEI paid $167K related to the late payment class action lawsuit. NPEI was eligible to recover this expense through a rate rider from May 1, 2011 to April 30, 2012. The original payment was made in full in 2011. NPEI grossed up Other Revenue and General Administrative expenses in 2012 to reflect the $167K payment. The net impact on the income statement was nil.

Property taxes in 2012 exceed the 2011 property tax expense by $221K. NPEI's new service center in Smithville opened in June 2010. NPEI received the property tax assessment for six months of 2010, 2011 and 2012 in 2012. NPEI under-accrued the property tax estimate in 2010 and 2011 and as a result 2012's property tax expense includes the under accrued estimates from prior years. The property taxes associated with the new service center are approximately $76K per year. This cost driver is negative in 2013 by $148K.

2013 Actuals compared to 2012 Actuals

In 2013, NPEI had the equivalent of 2.5 employees on short term medical leaves. The equivalent of 2.0 FTE's were from the customer service, collections and billing departments. These employees returned to work full time in 2014. As a result OM&A expenses are reduced in the year the employee receives sick time wages as sick time is part of the payroll overhead burden.

The late payment cost claim recorded in 2012 was a one-time expenditure and as a result was a negative cost driver in 2013.

Property taxes in 2012 included amounts related to 2010 and 2011. These costs were recorded as one-time adjustments in 2012 and therefore became a negative cost driver in 2013.

2014 Bridge Year compared to 2013 Actuals

In 2014, the employees on short term medical leaves returned to work full time and as a result OM&A expenses increased by $218K.

NPEI's smart meter application was approved on February 27, 2014. As a result, NPEI recorded the OM&A expenses related to prior years previously included in the regulatory asset account 1556 as OM&A expenses in 2014. Also, the 2014 smart meter on-going labour ($188K), meter reading, meter reading support, monitoring and communications expenses ($200K) as well as the annual security audit ($60K) are recorded as OM&A expenses in 2014 and become a significant cost driver. Table 4-3 below details the OM&A smart meter costs related to prior years in the amount of $1,223K.

Table 4-3 Smart Meter OM&A expenses related to prior years

		2009	2010	2011	2012	2013	Up to Dec 31 2013
5175-00-06	Program Management	27,017	969	188	563	89	28,826
5175-00-06	Other AMI		2,666	993			3,659
5175-00-06	Meter Base Repairs	3,236	37,127	8,527			48,890
		30,253	40,761	9,708	563	89	81,374
5305-00-01	Labour	19,749	48,828	139,486	152,758	157,500	518,321
5305-00-06	Change Mgmt	1,027	6,339	2,063			9,429
5310-00-06	TOU rate implement, CIS upgrade		22,501	73,999	72,365	28,568	197,433
5310-00-06	SM software maintenance -Sensus		6,300	40,821	73,535	125,181	245,837
5310-00-06	AMCollector maintenance	14,658	18,565				33,223
5315-00-06	TOU communication			27,199	17,769		44,968
5315-00-06	Customer communication	81,152	11,423				92,575
		116,586	113,956	283,569	316,427	311,250	1,141,787
	Total Smart Meters	146,839	154,717	293,277	316,989	311,339	1,223,161

Effective May 1, 2014, the water billing, customer service and collection activities performed on behalf of NPEI's affiliated services company, Niagara Falls Hydro Services Inc. returned to the City of Niagara Falls. NPEI recovered wages in the amount of $476K of direct labour excluding supervision in 2013. From January 1, 2014 to April 30, 2014, NPEI recovered $130K of direct labour excluding supervision related to water activities. The difference of $346K is included as a cost driver in 2014 and the remaining $130K of direct labour excluding supervision is included as a cost driver in 2015.

Water variable costs allocated to its affiliated company in 2013 for water related activities was $337K. In 2014, NPEI recovered $100K from January 1, to April 30th related to the variable allocated costs. The difference of $237K is included as a cost driver in 2014 and the remaining $100K is included as a cost driver in 2015. This $100K is reduced in 2015 by $129K as a reduction in the three labour contracts that were terminated in 2014 and a reduction in postage, bill forms and envelopes.

NPEI currently has 2 billing supervisors and one customer service supervisor. Both billing supervisors have greater than 30 years of service and are expected to retire within the next five years. As part of the restructuring plan it is NPEI's intension is to eliminate one billing supervisor position through attrition. Total direct and allocated FTE's excluding supervision, included in water related activities that were recovered in 2013 was 6. Currently, NPEI has three cashier positions, one unionized employee, one non-unionized employee, and one resourced from a third party for temporary services.

The receptionist and one cashier were employed as third party contracts and one cashier was a NPEI contract employee. All three contracts will be completed between August 1st and October 31st, 2014. This accounts for the reduction of 3 FTE's.

NPEI provided notice to its union and unionized staff of the restructuring plan due to the water activities reverting back to the City of Niagara Falls. At this time, two customer service clerks will rotate between reception, cashiering and customer service where training will commence in September 2014. One billing clerk will be moved to customer service in September 2014. There were three cashier positions in 2013 and for 7 months in 2014 and one of these positions was eliminated in August 2014.

As a result the 2015 COS rate application has 50% of a billing supervisor's wages, 50% of a customer service supervisor's wages and 100% of 3.0 unionized FTE's in billing and customer service clerk's wages that were previously recovered 100% from the City of Niagara Falls through the affiliated company Niagara Falls Hydro Services Inc. Through attrition NPEI will reduce the number of FTE's. Currently there are three customer service/billing clerks eligible to retire between the years 2017 and 2020. It is NPEI's plan for these costs to be eliminated by the next COS rate application for NPEI.

2015 Test Year compared to 2014 Bridge Year

In 2014, NPEI recorded the smart meter OM&A expenses related to prior years in the amount of $1,223K. This was a one-time adjustment to OM&A in 2014 and therefore is a negative cost driver in 2015.

In 2013, NPEI engaged a third party consultant to review the purchasing, receiving, and issuance of inventory processes and procedures. In 2014, the consultant was engaged to implement various changes to processes and procedures related to NPEI's supply chain management. The current Niagara Falls small stores area is over 30 years old in its design, layout and shelving. NPEI constructed a new wire building which received occupancy at the end of 2013. During this consultation process NPEI developed unique wire reel inventory item numbers to better track wire inventory movement and wire inventory on hand. Obsolete inventory was identified and scrapped and vendor supplier relationships for just in time inventory are currently being pursued. NPEI will have its small stores area renovated by the fourth quarter of 2014. The consultant provided assistance with the new layout and design of this new area well as assisted NPEI with the development of an electronic material movement sheet which will improve communication, timeliness and efficiency of material issuances and reduce the material handling of inventory. NPEI is also investigating developing inventory kits with the assist of several suppliers. The new electronic material movement sheet will be operational in the fall of 2014. Finally, the consultant assisted NPEI with the development of a planning and scheduling template that will improve NPEI's inventory ordering, delivery and issuance of inventory and reduce inventory on hand. This project was completed with the consultant in August 2014 and NPEI will continue to build on inefficiencies that were noted in the 2013 review. This project was completed in 2014 and as a result the consulting costs are a negative cost driver in the amount of $204K in 2015.

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OEB Appendix 2-JA

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Appendix 2-JA
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actuals)	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Reporting Basis						
Operations	$ 3,517,644	$ 4,071,987	$ 4,326,888	$ 4,131,174	$ 4,299,653	$ 4,291,150
Maintenance	$ 2,528,132	$ 2,209,781	$ 2,381,216	$ 2,149,552	$ 2,336,691	$ 2,554,924
SubTotal	**$ 6,045,776**	**$ 6,281,768**	**$ 6,708,104**	**$ 6,280,726**	**$ 6,636,344**	**$ 6,846,074**
%Change (year over year)			6.8%	-6.4%	5.7%	3.2%
%Change (Test Year vs Last Rebasing Year - Actual)						9.0%
Billing and Collecting	$ 3,913,667	$ 3,875,994	$ 3,697,637	$ 3,735,692	$ 6,193,652	$ 5,609,882
Community Relations	$ 81,464	$ 60,687	$ 79,068	$ 81,554	$ 85,525	$ 69,600
Administrative and General	$ 4,035,775	$ 3,888,611	$ 4,284,082	$ 4,054,337	$ 4,342,309	$ 4,516,024
SubTotal	**$ 8,030,906**	**$ 7,825,292**	**$ 8,060,787**	**$ 7,871,583**	**$ 10,621,486**	**$ 10,195,506**
%Change (year over year)			3.0%	-2.3%	34.9%	-4.0%
%Change (Test Year vs Last Rebasing Year - Actual)						30.3%
Total	**$ 14,076,682**	**$ 14,107,060**	**$ 14,768,891**	**$ 14,152,309**	**$ 17,257,830**	**$ 17,041,580**
%Change (year over year)			4.7%	-4.2%	21.9%	-1.3%

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actuals)	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Operations	$ 3,517,644	$ 4,071,987	$ 4,326,888	$ 4,131,174	$ 4,299,653	$ 4,291,150
Maintenance	$ 2,528,132	$ 2,209,781	$ 2,381,216	$ 2,149,552	$ 2,336,691	$ 2,554,924
Billing and Collecting	$ 3,913,667	$ 3,875,994	$ 3,697,637	$ 3,735,692	$ 6,193,652	$ 5,609,882
Community Relations	$ 81,464	$ 60,687	$ 79,068	$ 81,554	$ 85,525	$ 69,600
Administrative and General	$ 4,035,775	$ 3,888,611	$ 4,284,082	$ 4,054,337	$ 4,342,309	$ 4,516,024
Total	**$ 14,076,682**	**$ 14,107,060**	**$ 14,768,891**	**$ 14,152,309**	**$ 17,257,830**	**$ 17,041,580**
%Change (year over year)			4.7%	-4.2%	21.9%	-1.3%

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actuals)	Variance 2011 BA – 2011 Actuals	2012 Actuals	Variance 2012 Actuals vs. 2011 Actuals	2013 Actuals	Variance 2013 Actuals vs. 2012 Actuals	2014 Bridge Year	Variance 2014 Bridge vs. 2013 Actuals	2015 Test Year	Variance 2015 Test vs. 2014 Bridge
Operations	$ 3,517,644	$ 4,071,987	-$ 554,343	$ 4,326,888	$ 254,901	$ 4,131,174	-$ 195,714	$ 4,299,653	$ 168,479	$ 4,291,150	-$ 8,503
Maintenance	$ 2,528,132	$ 2,209,781	$ 318,351	$ 2,381,216	$ 171,435	$ 2,149,552	-$ 231,664	$ 2,336,691	$ 187,139	$ 2,554,924	$ 218,233
Billing and Collecting	$ 3,913,667	$ 3,875,994	$ 37,673	$ 3,697,637	-$ 178,357	$ 3,735,692	$ 38,055	$ 6,193,652	$ 2,457,960	$ 5,609,882	-$ 583,770
Community Relations	$ 81,464	$ 60,687	$ 20,777	$ 79,068	$ 18,381	$ 81,554	$ 2,486	$ 85,525	$ 3,971	$ 69,600	-$ 15,925
Administrative and General	$ 4,035,775	$ 3,888,611	$ 147,164	$ 4,284,082	$ 395,471	$ 4,054,337	-$ 229,745	$ 4,342,309	$ 287,972	$ 4,516,024	$ 173,715
Total OM&A Expenses	$ 14,076,682	$ 14,107,060	-$ 30,378	$ 14,768,891	$ 661,831	$ 14,152,309	-$ 616,582	$ 17,257,830	$ 3,105,521	$ 17,041,580	-$ 216,250
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)											
Total Recoverable OM&A Expenses	$ 14,076,682	$ 14,107,060	-$ 30,378	$ 14,768,891	$ 661,831	$ 14,152,309	-$ 616,582	$ 17,257,830	$ 3,105,521	$ 17,041,580	-$ 216,250
Variance from previous year				$ 661,831		-$ 616,582		$ 3,105,521		-$ 216,250	
Percent change (year over year)				5%		-4%		22%		-1%	
Percent Change: Test year vs. Most Current Actual						20.42%					
Simple average of % variance for all years						20.80%					5%
Compound Annual Growth Rate for all years											3.9%
Compound Growth Rate (2013 Actuals vs. 2011 Actuals)						0.11%					

Note:

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

Attachment 2 of 4

OEB Appendix 2-JB

Appendix 2-JB
Recoverable OM&A Cost Driver Table

OM&A	Last Rebasing Year (2011 Actuals)	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Reporting Basis					
Opening Balance	$ 14,076,683	$ 14,107,060	$ 14,768,891	$ 14,152,309	$ 17,257,830
OMERS	$ 85,555	$ 148,597	$ 113,614	$ 37,362	$ 21,600
Labour-inflationary increase-Management		$ 83,070	$ 103,000	$ 108,480	$ 91,303
Labour-inflationary increase- Union		$ 120,830	$ 110,131	$ 133,644	$ 112,489
Garage Labour 2 vehicle techs July 2011	$ 110,880	$ 110,880			
Garage-Lead hand retired	-$ 50,697	-$ 70,975			
Meter department maintenance vs capital	$ 124,764	-$ 105,309	-$ 79,180		$ 68,818
Maintenance Handyman retirees	-$ 29,446	-$ 62,400		-$ 88,608	-$ 27,690
Maternity leaves and non-union Employees departed	-$ 37,906	-$ 108,000	-$ 138,240	-$ 99,183	$ 99,183
Lineman left offset by new apprentices	-$ 71,360	-$ 57,600	-$ 68,352	$ 29,867	$ 128,449
Employees on medical leave			-$ 218,180	$ 218,180	
Controller maternity leave	-$ 71,274		$ 55,700	$ 55,700	
Engineering techs OM&A labour vs capital	$ 142,025	$ 42,000	-$ 73,853		
Engineering Manager	-$ 56,800	$ 102,262			
Accountant Temp - Management June 2012		$ 65,900	$ 65,900		
Non-union Management contract ended	-$ 30,400	-$ 38,000			
Smart meter co-ordinators 2014 wage & benefits				$ 188,000	
Systems Analyst replace					$ 111,000
Water supervision not recovered				$ 77,172	$ 43,000
Water labour not recovered				$ 345,829	$ 130,000
Transformer station operations-outside services	$ 42,928	$ -			$ 30,729
Transformer station maintenance-outside services		$ 82,177	-$ 82,177		$ 20,267
Maintenance OH & UG materials	-$ 81,371	-$ 31,111			
Maintenance poles outside services	-$ 50,152	$ 20,322	-$ 80,783		$ 24,609
Maintenance Transformers-outside services	-$ 40,118	$ 29,897	$ 36,690		$ 21,581
Locates	$ 52,139	$ 29,062			$ 13,825
Tree trimming-outside services	-$ 45,809	-$ 51,527	$ 43,346		
Pole inspections	-$ 28,469	$ 5,723			
PCB Inspections		$ 126,464			-$ 135,552
Write off obsolete inventory	$ 39,000	$ 20,000	$ 40,600		
Stores FMR consulting			$ 97,000	$ 107,000	-$ 204,000
Vehicle Maintenance	$ 189,500	-$ 75,686	$ -		
Meter reading-outside services	-$ 93,463	-$ 174,297	-$ 29,151		
Postage	$ 102,289	$ 40,343			
Collection- outside services		$ 21,907			
Bad Debt expense	-$ 57,225	-$ 64,456	-$ 42,416	$ 41,158	
Allocated water expenses	-$ 70,215	$ -		$ 236,589	$ 100,595
Billing expenses reduced due to loss of water				$ -	-$ 129,000
IT expenditures	$ 64,494	$ -	$ 57,636		$ 16,000
Smart Meter costs prior years				$ 1,223,161	-$ 1,223,161
Smart Meter costs current year exclude labour				$ 260,000	
MIST meter reading					$ 132,000
Outsource mail activities					$ 102,000
LPC Class action penalty &interest		$ 167,381	-$ 167,381		
Property insurance	$ 31,600		$ 63,731		
Property taxes	-$ 37,187	$ 221,342	-$ 147,957		
Legal fees	$ 51,469	$ 22,198	-$ 121,289	$ 97,622	
Regulatory expenses					$ 50,312
Building maintenance outside purchases					$ 90,145
Other immaterial items	-$ 154,374	$ 40,837	-$ 154,970	$ 133,548	$ 95,248
Closing Balance	$ 14,107,060	$ 14,768,891	$ 14,152,309	$ 17,257,830	$ 17,041,580

Notes:

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

2 For purposes of assessing incremental cost drivers, the closing balance for each year becomes the opening balance for the next year.

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

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

Attachment 3 of 4

OEB Appendix 2-L

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

	Last Rebasing Year - 2011- Board Approved	Last Rebasing Year - 2011- Actual	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Number of Customers	52,684	51,553	51,352	51,810	52,222	52,638
Total Recoverable OM&A from Appendix 2-JB	$ 14,076,682	$ 14,107,060	$ 14,768,891	$ 14,152,309	$ 17,257,830	$ 17,041,580
OM&A cost per customer	267.19	273.64	287.60	273.16	330.47	323.75
Number of FTEs	133.0	126.8	128.7	129.3	128.8	130.2
Customers/FTEs	396.12	406.57	399.01	400.70	405.45	404.29
OM&A Cost per FTE	105,840	111,254	114,754	109,453	133,989	130,888

Notes:

1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.

2 The method of calculating the number of customers must be identified.

3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K

4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.

Attachment 4 of 4

OEB Appendix 2-D

File Number:	EB-2014-0096
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Appendix 2-D
Overhead Expense

Applicants are to provide a breakdown of OM&A before capitalization in the below table. OM&A before capitalization may be broken down by cost center, program, drivers or another format best suited to focus on capitalized vs. uncapitalized OM&A.

OM&A Before Capitalization	**2011 Historical Year**	**2012 Historical Year**	**2013 Historical Year**	**2014 Bridge Year**	**2015 Test Year**
Total wages as per Appendix 2K (T4 earnings for 2011, 2012 and 2013)	$ 9,546,131	$ 10,152,181	$ 10,612,484	$ 10,874,154	$ 11,156,960
Total OM&A Before Capitalization (B)	$ 9,546,131	$ 10,152,181	$ 10,612,484	$ 10,874,154	$ 11,156,960

Applicants are to provide a breakdown of capitalized OM&A in the below table. Capitalized OM&A may be broken down using the categories listed in the table below if possible. Otherwise, applicants are to provide its own break down of capitalized OM&A.

Capitalized OM&A	**2011 Historical Year**	**2012 Historical Year**	**2013 Historical Year**	**2014 Bridge Year**	**2015 Test Year**	**Directly Attributable? (Y/N)**	**anation for Change in Overhead Capita**
employee benefits	$ 4,454,193	$ 4,706,763	$ 5,075,419	$ 4,940,226	$ 4,984,070	Y	NPEI does not have any changes in OH being capitalized
costs of site preparation							
initial delivery and handling costs							
costs of testing whether the asset is functioning properly							
professional fees							
costs of opening a new facility							
costs of introducing a new product or service (including costs of advertising and promotional activities)							
costs of conducting business in a new location or with a new class of customer (including costs of staff training)							
administration and other general overhead costs							
Insert description of additional item(s) and new rows if needed							
Total Capitalized OM&A (A)	$ 4,454,193	$ 4,706,763	$ 5,075,419	$ 4,940,226	$ 4,984,070		

% of Capitalized OM&A (=A/B)	47%	46%	48%	45%	45%		

Exhibit 4

Tab 3 of 6

Program Delivery Costs with Variance Analysis

Program Delivery Costs with Variance Analysis

Overview

NPEI determined the programs to be presented in this analysis based on significant activities performed within departments of the organization. All of these programs are considered in the budgeting process. On a monthly basis, the actual costs are compared to budgeted values, and significant variances are investigated. Each month NPEI issues monthly financial statements to its Finance committee and on a quarterly basis the monthly financial statements are reviewed and approved by NPEI's Board of Directors.

A variance analysis has been performed below comparing the 2015 test year to the 2013 actuals as well as the 2015 test year to the 2011 Board approved figures. Variances greater than $140,000 have been documented. Materiality is calculated as per Table 4-4 below.

Table 4-4 Materiality for variance analysis

Service Revenue Requirement	30,971,328
(from Revenue Deficiency Calculation)	
Less Revenue Offsets	(1,596,475)
Base Revenue Requirement	**29,374,853**
Other	29,374,853
Total	**29,374,853**
Variance Calculation 0.5% of Distribution Revenue Requirement	**146,874**

Variance Analysis

<u>2015 Test Year vs. 2013 Actuals</u>

Total OM&A in 2015 is $2,889K or 20.42% higher than OM&A in 2013. Of the $2,889K increase, $1,725K or 59.71% relates to wages and benefits. Table 4-5 below illustrates the increase from 2013 to 2015.

Table 4-5 OM&A Labour & Benefits comparison 2013 to 2015

2013 OM&A wages & Benefits	9,015,683
2014 wage and benefit increase 3.1 %	279,486
2015 wage and benefit increase 2.5%	225,392
	9,520,561
Two Smart meter co-ordinators	188,000
Add new systems analyst	111,000
Water recovered in 2013-mgmt	120,172
Water recovered in 2013-hourly	475,829
Non-unionized cashier in 2013	(34,000)
Controller in full year in 2015 vs 7 months in 2013	67,000
2013 medical leaves returned full-time in 2015	218,180
Expected 2015 OM&A wages & benefits	10,666,742
2015 OM&A wages & benefits	10,741,011
	74,269

The remaining balance of $1,164K of the total increase of $2,889K relates to the following:

- Meter reading support, monitoring and communication expenses previously recorded in the regulatory asset account in 2013 will have an annual on-going OM&A expense of $200K. As well annual security audits of the network and web application will have an on-going OM&A expense of $60K.
- Meter reading related to approximately 920 MIST meters to be converted in the GS<50 kW and GS>50 kW rate classes.

A letter dated May 21, 2014, from the Ontario Energy Board provided notice of amendments to the Distribution System Code (the “DSC”) pursuant to section 70.2 of the Ontario Energy Board Act, 1998 (the “Act”). The amendments provide notice that a distributor is required to install an interval meter (i.e., a “MIST meter”) on any installation that is forecast by the distributor to have a monthly average peak demand during a calendar year of over 50 kW.

The amendments to section 5.1.3 of the DSC include the following:

“5.1.3 For the purposes of measuring energy delivered to the customer, a distributor shall:

a) install a MIST meter on any new installation that is forecast by the distributor to have a monthly average peak demand during a calendar year of over 50 kW; and

b) Have until August 21, 2020 to install a MIST meter on any existing installation that has a monthly average peak demand during a calendar year of over 50 kW." (Distribution System Code, Section 5.1.3)
The amendments to section 5.1.3 come into force on August 21, 2014.

NPEI has allowed for these 920 meters to be installed equally over the next 5 years. NPEI obtained a quote from its vendor and the following Table 4-6 illustrates the additional meter reading costs associated with the MIST meters. NPEI has included $132K in 2015 related to MIST meter reading costs.

Table 4-6 Meter reading MIST meters

Meter Reading MIST meters						
cost/meter/month	*$ 20.00*	**2015**	**2016**	**2017**	**2018**	**2019**
# of meters installed and read per month						
183		$ 43,920				
366			$ 87,840			
549				$ 131,760		
732					$ 175,680	
915						$ 219,600
		$ 43,920	$ 87,840	$ 131,760	$ 175,680	$ 219,600
		$ 658,800				
		5				
		$ 131,760				

- Water variable costs allocated to its affiliated company in 2013 for water related activities in the amount of $337K. These costs are offset by a reduction in postage, forms, envelopes and two third party temporary services in the amount of ($129K).
- Outsourcing of the mail machine activities due to the age of the machine and delays in mailing. NPEI intends to outsource its mailing activities in the fall of 2014. As a result OM&A increased $102K in 2015 versus 2013.
- Increase in general and administrative expenses for legal, consulting, regulatory, property insurance and property taxes in the amount of $197K or $98K per year. There has been a trend over the last couple of years for labour issues to go directly to mediation and arbitration thereby increasing legal expenses.
- Transformer maintenance increased by $18K in 2015. In 2012, NPEI incurred costs in the amount of $82K for inspection of the oil containment and

maintenance at the Kalar Road transformer station. This cost will be incurred every five years, therefore, NPEI has included one fifth of the 2017 estimated cost which is the next time this inspection will be completed.

- In April 2011, a severe wind storm hit NPEI's service territory. As a result of the damage caused by this storm one customer in Jordan had a pole and pole mount transformer come down on their property. The pole mount transformer was found to contain PCB's greater than the regulated amount. NPEI worked with the Ministry of Environment the customer and several contractors to clean up and restore the customer's property. From this event, NPEI undertook to have all pole mount transformers tested for PCB's in the former Peninsula West Utilities service territory. This testing commenced in 2012 and was completed in 2014. The savings from 2015 to 2013 amounts to ($135K.) The clean-up costs related to this event were reimbursed through NPEI's insurance.
- Pole testing program commenced in 2011 and is performed by the same third party contractor as the PCB testing. As a result of the incident noted above the testing for PCB's became NPEI's priority from 2012 to 2014 and pole testing activities were reduced. In 2015, pole testing activities will increase and expenses are estimated to increase by $82K from 2013 to 2015.
- The maintenance handyman is expected to retire in 2015, it is NPEI's intention to not replace this position and use outside services for all building repairs and maintenance. As a result, labour was decreased and offset by an increase of $65k in outside services.

Variance analysis

2015 Test year vs. 2011 Board Approved

The 2015 test year OM&A expenses have increased from the 2011 Board Approved amount of $14,076K to $17,041K or $2,965K or 21.06%. This is an annual increase of $739K or 5.27% over the last four years.

- Of the $2,965K increase, labour and benefits accounts for $1,944K or 22%. As noted above smart meter labour $188K, water related labour ($120K + $475K) and a new systems analyst ($111K) accounts for the majority of the increase other than wage inflationary increases of 2.9% in 2012, 3.1% in 2013, 3.1% in 2014 and an estimated 2.5% in 2015. Inflationary increases total $1,270K of the $1,944K increase.
- Meter reading costs associated with smart meters and MIST noted above account for $332K of the increase from 2011 Board approved through to the 2015 test year.
- Information technology expenses $141K, due to NPEI's investment in software and hardware from 2011 to 2015 as well as NPEI implemented its disaster recovery plan and increased redundancy in 2012 and 2013 to improve operational efficiencies and reduce down time. NPEI has installed mobile lap-tops in its fleet to improve communication and efficiencies in the operations, maintenance and service truck areas. NPEI also increased redundancy of its internet links in 2013.
- Bad debt expense has decreased ($123K) due to increased collection activities by NPEI. NPEI's outside services for collections has increased by $40K from 2011 to the 2015 test year.
- Engineering software maintenance fees increased by $55K due to increased licenses for NPEI's GIS system, and outage management module that was added in 2011.
- Legal, consulting, regulatory, property insurance and property taxes increased by $245K from 2011 to 2015. The property insurance included in the 2011 Board approved amount related to the new service centre located in Smithville was under estimated. The property taxes for NPEI's Smithville service centre are approximately $76K annually.

- Allocated costs related to water were included in the 2011 Board Approved amount at $260K. Water billing and related activities returned to the City of Niagara Falls in 2014. As a result, most of these allocated costs will still exist in 2015 however there will no longer be any shared value with water related activities. For example, the cost of a bill form, postage and envelope were split between hydro and water. The bill form, postage and envelope will still exist in 2015 however the 50% previously recovered from water will not. These costs were offset by a reduction in postage, third party temporary labour as a result of restructuring.
- Transformer station operations and maintenance expenses have increased $98K from 2011 to 2015. Beginning in 2013, NPEI recorded all costs related to the Kalar transformer station in accounts 5015 and 5112 including property taxes, property insurance, maintenance, and utility expenses. Prior to 2013, these expenses were recorded in various other GL expenses.
- Underground locates have increased $70K from 2011 to 2015 due to an increase in activity. The 2015 amount for locates expense is comparable to the 2013 actuals.
- Maintenance of poles outside services has decreased by $100K from 2011 to 2015. This is due to NPEI using its own labour to do maintenance of poles activities. Labour related to maintenance of poles has increased by $180K from 2011 to 2015.

Attachment 1 of 1

OEB Appendix 2-JC

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Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actuals)	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year	Variance (Test Year vs. 2013 Actuals)	Variance (Test Year vs. Last Rebasing Year (2011 Board-Approved)
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS
Distribution Stations								
Labour	58,105	33,335	43,052	33,673	38,000	40,286	6,614	-17,819
Materials	3,666	6,820	6,827	184	1,000	3,782	3,598	116
Outside Services	45,000	23,706	68,326	28,110	41,609	61,267	33,157	16,267
Other Costs	13,000	5,623	9,617	3,964	4,600	6,011	2,046	-6,989
Maintenance Outside Services	4,767	2,762	28,485	33,542	22,700	47,309	13,768	42,543
Sub-Total	124,538	72,246	156,306	99,473	107,909	158,656	59,183	34,118
Transformer Station								
Transformer Station operations	66,240	109,168	124,176	153,318	134,050	164,779	11,461	98,539
Transformer Station Maintenance	0	0	82,177	1,115	1,200	21,467	20,352	21,467
Sub-Total	66,240	109,168	206,353	154,433	135,250	186,246	31,813	120,006
Overhead Distribution Lines & Feeders								
Labour	168,211	157,355	197,821	143,939	152,500	172,209	28,271	3,999
Materials	2,812	5,048	6,723	0	0	3,002	3,002	189
Outside Services	12,391	24,725	34,815	32,416	28,500	33,070	654	20,679
Other Costs	34,366	34,424	35,521	35,565	37,000	35,984	419	1,618
Sub-Total	217,779	221,551	274,881	211,920	218,000	244,265	32,345	26,486
Underground Distribution								
Labour	56,350	66,600	65,308	60,932	68,000	72,899	11,967	16,550
Materials	814	951	218	0	0	298	298	-516
Outside Services	0	850	0	0	0	0	0	0
Other Costs	15,442	18,097	16,700	15,822	16,500	16,948	1,126	1,506
Locates	194,991	247,130	276,192	250,002	251,000	264,826	14,824	69,835
Sub-Total	267,596	333,627	358,419	326,755	335,500	354,971	28,215	87,374
Load Dispatching								
Load Dispatching outside service	43,800	42,648	43,296	38,222	46,000	46,000	7,778	2,200
Sub-Total	43,800	42,648	43,296	38,222	46,000	46,000	7,778	2,200
Meter Department								
Labour	427,943	552,707	447,398	368,218	370,000	440,539	72,321	12,596
Materials	5,415	6,146	2,763	3,263	3,500	3,996	733	-1,418
Outside Services	29,885	12,874	23,961	35,777	11,000	8,971	-26,806	-20,915
Other Costs	26,685	36,723	24,967	20,314	21,500	26,135	5,821	-550
Smart Meter from previous years					81,375		0	0
Sub-Total	489,927	608,449	499,089	427,572	487,375	479,640	52,069	-10,287
Customer Premises								
Labour	83,180	83,519	74,842	101,958	80,000	80,642	-21,315	-2,538
Materials	125	1,856	773	453	650	952	499	827
Outside Services	1,118	3,153	808	3,013	2,400	2,390	-623	1,273
Other Costs	12,000	12,707	10,743	15,595	15,000	15,150	-445	3,150
							0	0
Sub-Total	96,423	101,235	87,166	121,019	98,050	99,134	-21,885	2,712
Engineering								
Labour	1,106,295	1,191,520	1,335,614	1,261,761	1,239,700	1,202,914	-58,848	96,619
Outside Services	111,716	100,150	115,542	82,734	74,500	95,265	12,531	-16,451
Software Mtce fees	100,000	94,450	131,607	147,239	150,000	155,000	7,761	55,000
Pole & PCB Inspections	143,954	115,485	247,673	279,528	283,400	225,960	-53,568	82,006
Other Costs	33,130	27,795	37,319	11,692	17,100	23,730	12,038	-9,400
Sub-Total	1,495,095	1,529,400	1,867,755	1,782,953	1,764,700	1,702,868	-80,085	207,774
Operations and Maintenance Supervision								
Labour	1,013,605	1,042,862	1,048,587	1,102,997	1,146,031	1,213,726	110,730	200,121
Outside Services	29,849	40,676	45,874	40,091	43,214	44,078	3,988	14,230
Other Costs	67,798	70,629	72,662	73,042	74,000	73,309	267	5,511
Sub-Total	1,111,252	1,154,167	1,167,124	1,216,129	1,263,245	1,331,114	114,985	219,862
Stores and Garage								
Stores and Garage	72,442	366,859	254,669	279,055	460,013	303,147	24,092	230,705
Sub-Total	72,442	366,859	254,669	279,055	460,013	303,147	24,092	230,705
Maintenance of Poles, OH Conductors & services								
Labour	629,095	637,446	698,642	609,928	680,853	809,302	199,374	180,207
Materials	233,718	152,346	121,235	109,675	121,000	136,585	26,910	-97,132
Outside Services	208,924	158,772	179,094	98,311	93,740	108,791	10,479	-100,133
Other Costs	107,681	115,050	126,433	106,759	119,600	118,130	11,371	10,450
Sub-Total	1,179,417	1,063,614	1,125,404	924,672	1,015,193	1,172,808	248,136	-6,609
Tree Trimming								
Outside Services	283,132	237,323	185,796	229,142	245,000	246,000	16,858	-37,132
Other Costs	69,169	19,080	22,348	15,308	16,000	18,233	2,926	-50,935
Sub-Total	352,301	256,403	208,144	244,450	261,000	264,233	19,783	-88,067
Maintenance of U/G conduit, conductors & services								
Labour	180,475	169,794	146,492	140,478	148,400	168,069	27,591	-12,406
Materials	23,902	23,124	34,325	31,535	32,400	30,953	-582	7,051
Outside Services	145,917	118,529	109,332	105,440	98,747	110,898	5,458	-35,019
Other Costs	33,249	34,196	30,150	25,652	27,400	29,643	3,991	-3,606
Sub-Total	383,542	345,643	320,298	303,105	306,947	339,562	36,457	-43,979
Maintenance of Transformers								
Labour	26,843	19,186	32,292	26,995	30,690	32,297	5,302	5,454
Materials	14,076	764	18,096	951	3,000	5,817	4,866	-8,260
Outside Services	82,251	42,133	72,030	108,719	88,072	109,653	934	27,402
Other Costs	8,829	6,766	10,234	8,765	9,800	8,980	215	151
Sub-Total	132,000	68,849	132,652	145,430	131,562	156,747	11,317	24,748
Meter Reading								0
Labour and Other Costs	23,338	6,290	6,738	971	1,700	1,170	199	-22,169
Outside Services	449,982	356,519	182,223	153,072	354,400	477,680	324,608	27,698
Smart Meter costs from previous years					476,493		0	0
Sub-Total	473,320	362,810	188,961	154,043	832,593	478,850	324,807	5,529
Billing & Customer Services								
Labour	1,745,890	1,759,549	1,772,940	1,792,454	2,582,114	2,856,456	1,064,002	1,110,566
Outside Services	550,197	664,061	728,738	763,323	831,200	900,577	137,254	350,379
Reallocated for affiliate water activities	-260,000	-272,789	-279,400	-282,146	-78,829	0	282,146	260,000
Smart Meter costs from previous years					665,293			0
Sub-Total	2,036,087	2,150,821	2,222,278	2,273,631	3,999,778	3,757,032	1,483,401	1,720,945
Information Technology Expenses	274,852	339,346	353,603	411,240	400,000	416,000	4,760	141,148
Sub-Total	274,852	339,346	353,603	411,240	400,000	416,000	4,760	141,148
Collection Expenses								
Labour	404,443	366,537	338,266	315,266	305,275	327,453	12,187	-76,990
Outside Services	78,720	84,244	98,080	113,863	118,056	118,729	4,866	40,008
Sub-Total	483,163	450,781	436,347	429,129	423,331	446,182	17,053	-36,981
Bad Debt Expense	387,938	330,713	266,257	223,842	265,000	265,000	41,158	-122,938
Sub-Total	387,938	330,713	266,257	223,842	265,000	265,000	41,158	-122,938
Miscellaneous Customer Accounts	258,306	241,522	230,190	243,808	272,950	246,819	3,011	-11,488
Sub-Total	258,306	241,522	230,190	243,808	272,950	246,819	3,011	-11,488
Community Relations	81,464	60,687	79,068	81,554	85,525	69,600	-11,953	-11,864
Sub-Total	81,464	60,687	79,068	81,554	85,525	69,600	-11,953	-11,864
General & Administration								
Labour	1,969,705	1,898,430	1,887,897	1,971,341	2,147,723	2,218,415	247,074	248,710
Legal and Consulting	100,000	151,469	173,667	52,378	150,000	150,000	97,622	50,000
Property Insurance	209,777	241,376	221,161	284,892	281,000	288,605	3,713	78,828
Regulatory Expenses	228,429	239,075	242,930	222,003	230,000	280,313	58,309	51,884
Property Taxes	222,474	185,288	406,629	258,673	281,600	287,232	28,559	64,758
LEAP	38,906	38,906	38,906	38,906	38,906	37,166	-1,740	-1,740
Outside Services	702,164	634,583	698,684	722,879	697,166	690,715	-32,165	-11,450
Reallocated for affiliate water activities		-57,426	-54,881	-55,038	-21,766	0	55,038	0
Penalties LPC			167,381	0			0	0
Sub-Total	3,471,455	3,331,701	3,782,374	3,496,034	3,804,630	3,952,444	456,410	480,989
Maintenance of General Plant								
Labour	114,875	85,429	74,475	72,991	78,260	14,014	-58,976	-100,861
Outside Services	449,445	471,480	427,234	483,831	459,420	549,565	65,735	100,120
Sub-Total	564,320	556,910	501,708	556,822	537,680	563,580	6,758	-741
Miscellaneous	13,425	7,909	6,548	7,018	5,600	6,681	-337	-6,744
Total	**14,076,682**	**14,107,060**	**14,768,891**	**14,152,309**	**17,257,830**	**17,041,580**	**2,889,271**	**2,964,898**

Notes:

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

Employee Compensation Breakdown

NPEI'S COMPENSATION SYSTEM

Executive/Management

In 2008, NPEI implemented a new Management Compensation Plan for all salaried employees. The plan was developed by the assistance of an outside consulting firm, Cyr & Associates. Finalized job descriptions were evaluated using a proprietary Plan similar to the Hay Evaluation Plan and placed in pay bands ensuring internal equity. Pay market data was collected from Ontario's LDCs. NPEI uses a pay grid that includes 19 pay grades within the management group with each grade paying more as the level of responsibility increases. Each grade allows for five possible progression steps. Management employees and supervisors are not paid overtime. This pay grid was developed from the available information and approved by the Board of Directors in 2008.

Individual job performance is aligned with NPEI's vision, mission, goals and strategic plan. All salary performance appraisals are completed at the end of each year and cost of living increases similar to the union contract are implemented on January 1st based on performance meeting expectations. Pay progression may be withheld as needed for performance that is below acceptable levels. There are no incentive compensation plans in place in any of the historical, bridge or test years at NPEI.

Union

All NPEI unionized staff are represented by the International Brotherhood of Electrical Workers Union (IBEW) Local 636. The current union agreement between NPEI and IBEW local 636 runs from April 1, 2011 to March 31, 2015. NPEI's union pay rates are competitive with other like-sized LDCs in the Niagara Region.

Non-Union

Non-Union employees at NPEI are employees who are on contract. These employees are not enrolled in OMERS, and are not eligible for extended health benefits or post-retirement benefits.

Typically, the non-union contracts are for six months to a year depending on the circumstances, i.e. maternity leave, sick leave, or a new project for example smart meters. Non-union FTE's also include the co-op apprentices. The contracts are reviewed and reassessed on a regular basis for determination of need to terminate the contract, renew the contract or hire as either full time management or full time union.

FTE Definition

In the analysis below, NPEI calculated FTE (full-time equivalent) based on the number of hours worked in the calendar year. NPEI employees work either 2,080, 1,950 or 1,820 hours per year. If an employee worked a partial year, they were considered less than an FTE. All employees including co-op apprentices are included in the FTE analysis below. Only the Board of Directors FTE count and corresponding wages and benefits are excluded from the calculations below.

NPEI employee's wages are recovered through three various sources of revenue; distribution rates, smart meter rate riders and OPA conservation and demand programs. The following Table 4-7 illustrates NPEI's change in FTE's from 2011 Board Approved through to the 2015 test year by source of revenue.

Table 4-7 FTE's by revenue source

	2011 Board Approved	FTE'S 2011 Actual	FTE'S 2012 Actual	FTE'S 2013 Actual	FTE'S 2014 Bridge Year	FTE'S 2015 Test Year
CDM						
Management	0	1.8	2	2	2	2
NonUnion	0	0	0			
Union	0	0	0			
	0	1.8	2	2	2	2
Smart Meters						
Management	0	1	2	2	2	0
NonUnion	2	1	0			
Union	0	0	0			
	2	2	2	2	2	0
Distribution						
Management	29	26.8	29.8	30.6	31	34
NonUnion	12	12.75	10.3	3.8	3.8	1.2
Union	90	83.45	84.6	90.9	90	93
	131	123	124.7	125.3	124.8	128.2
Total						
Management	29	29.6	33.8	34.6	35	36
NonUnion	14	13.75	10.3	3.8	3.8	1.2
Union	90	83.45	84.6	90.9	90	93
	133	126.8	128.7	129.3	128.8	130.2

NPEI does not include temporary resources from third party agencies in the FTE calculations.

Benefits

EAP – Employee Assistance Program – An Employee and Family Assistance Program supports and assists employees and their immediate family members in assessing and resolving work, health and life issues.

EHT – Employer Health Tax – Employer Health Tax (EHT) is a government payroll tax on remuneration paid to employees – premiums are calculated at 1.95% of gross earnings plus taxable benefits.

OMERS – Ontario Municipal Employee Retirement Savings – employees' pension plan.

CPP – Canada Pension Plan – employer matches the employee payroll deduction.

EI – Employment Insurance – employer pays 1.283 times the employees deductions for full time employees.

WSIB – Workplace Safety Insurance Board – premiums paid for WSIB Coverage for NPEI employees is at a rate of 1.07 per $100.00 of employee's gross earnings plus taxable benefits up to the maximum yearly amount.

Dental – Company premiums are paid to MEARIE for dental coverage for employees and eligible retirees. From 2011 to March 31, 2013, NPEI paid Manulife. From April 2013 to present NPEI pays dental premiums to Great West Life through the MEARIE Group.

Extended Health – Extended Health Benefits – NPEI's premiums paid for extended health coverage for employees and eligible retirees. From 2011 to March 31, 2013, NPEI paid Manulife. From April 2013 to present NPEI pays dental premiums to Great West Life through the MEARIE Group.

Life Insurance – Basic Life insurance premiums paid by the employer for employee's life insurance including retirees. Life insurance premiums are paid to the Mearie Group by NPEI.

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

Table 4-8 Summary of wage increases per the union contract

	Actual	Actual	Actual	Bridge Yea	Test Year
	2011	2012	2013	2014	2015
Management (including executive)	2.80%	2.90%	3.10%	3.10%	2.50%
	1-Jan	1-Jan	1-Jan	1-Jan	1-Jan
Non-union and Union	2.80%	2.90%	3.10%	3.10%	2.50%
	1-Apr	1-Apr	1-Apr	1-Apr	1-Apr

Note the 2015 test year wage increase has not yet been negotiated between NPEI and the IBEW local 636. The wage increase illustrated in Table 4-8 is an estimate for the purposes of preparing NPEI's 2015 COS rate application.

Variance Analysis from 2011 Board Approved through to 2015 Test Year for FTE's, Wages and Benefits

NPEI completed the OEB's Appendix 2-K "Employee Costs" which is included in E4/T3/S2/Att1. Table 4-9 below details the employee costs from the 2011 Board Approved through to the 2015 Test year. All FTE's as defined above, with their corresponding wages and benefits from all revenue sources as noted above in Table 4-7 are included in the variance analysis below.

Table 4-9 Employee Costs and FTE's

	Last Rebasing Year	2011 Actuals	2011 Actual vs 2011 Board Approved	% change	2012 Actuals	2012 Actual vs 2011 Actual	% change	2013 Actuals	2013 Actual vs 2012 Actual	% change	2014BY	2014BY vs 2013 Actual	% change	2015TY	2015TY vs 2014 BY	% change
Number of Employees (FTEs including Part-Time)	2011	2011			2012			2013			2014			2015		
Management including executive	29	29.6	0.6	2.1%	33.8	4.2	14.2%	34.6	0.8	2.4%	35	0.4	1.2%	36	1	2.9%
Non-Management (union and non-union)	104	97.2	-6.8	-6.5%	94.9	-2.3	-2.4%	94.7	-0.2	-0.2%	93.8	-0.9	-1.0%	94.2	0.4	0.4%
Total	133	126.8	-6.2	-4.7%	128.7	1.9	1.5%	129.3	0.6	0.5%	128.8	-0.5	-0.4%	130.2	1.4	1.1%
Total Salary and Wages																
Management including executive	2,724,598	2,864,484	139,886	5.1%	3,246,650	382,166	13.3%	3,419,674	173,024	5.3%	3,652,122	232,448	6.8%	3,819,388	167,266	4.6%
Non-Management (union and non-union)	6,506,743	6,681,647	174,904	2.7%	6,840,692	159,044	2.4%	7,113,131	272,439	4.0%	7,222,031	108,900	1.5%	7,337,571	115,540	1.6%
Total	9,231,341	9,546,131	314,790	3.4%	10,087,342	541,210	5.7%	10,532,805	445,463	4.4%	10,874,154	341,349	3.2%	11,156,960	282,806	2.6%
Total Benefits (Current + Accrued)																
Management including executive	556,257	636,365	80,108	14.4%	726,388	90,023	14.1%	815,842	89,455	12.3%	781,855	(33,987)	-4.2%	839,478	57,623	7.4%
Non-Management (union and non-union)	1,188,354	1,271,187	82,833	7.0%	1,371,385	100,198	7.9%	1,483,169	111,784	8.2%	1,465,770	(17,399)	-1.2%	1,539,496	73,726	5.0%
Total	1,744,611	1,907,551	162,940	9.3%	2,097,773	190,222	10.0%	2,299,012	201,239	9.6%	2,247,625	(51,387)	-2.2%	2,378,973	131,348	5.8%
Total Compensation (Salary, Wages, & Benefits)																
Management including executive	3,280,855	3,500,848	219,993	6.7%	3,973,038	472,189	13.5%	4,235,516	262,479	6.6%	4,433,977	198,461	4.7%	4,658,866	224,889	5.1%
Non-Management (union and non-union)	7,695,097	7,952,834	257,737	3.3%	8,212,077	259,243	3.3%	8,596,300	384,223	4.7%	8,687,801	91,501	1.1%	8,877,067	189,266	2.2%
Total	10,975,952	11,453,683	477,731	4.4%	12,185,114	731,432	6.4%	12,831,817	646,702	5.3%	13,121,778	289,962	2.3%	13,535,933	414,154	3.2%

2011 Actual vs. 2011 Board Approved

Actual total FTE's decreased by 6.2 from the 2011 Board Approved. Wages increased by $315K or 3.4%, benefits increased by $163K or 9.3% resulting in a total wages and benefits increase in 2011 over 2011 Board approved of $478K or 4.4%.

Management

Management FTE's increased by 0.6 over the 2011 Board approved total of 29 FTE's.

In March of 2011, NPEI commenced the implementation of the OPA approved CDM programs. NPEI reallocated one management FTE to the OPA programs and in March of 2011 NPEI hired a CDM coordinator. Both of these positions wages and benefits are funded through the fixed funding provided by the OPA programs.

The 2011 Board Approved management total of 29 included an Engineering Supervisor to be hired. NPEI hired an Engineering Manager in September of 2011 instead of a supervisor to better meet the needs of succession planning in the long-term. NPEI's controller went on a maternity leave in 2011 resulting in this position being 0.2 of an FTE. NPEI hired its HR coordinator full-time in August of 2011 and one smart meter coordinator in January 2011. Both of these positions were included in the non-union 2011 Board approved amount. The corresponding increase in wages related to the changes in FTE's is $57K. Wages increased by 2.8% as well as an additional 3.0% for management employees who met performance evaluation criteria and who were not at their top level on the salary grid.

Non-union and Union employees

Non-union and union employee total FTE's decreased by 6.8 FTE's from 104 to 97.2. One management non-union employee's contract ended in August 2011 and was not renewed. Five non-union employees left for other jobs in 2011 resulting in a 2.45 FTE decrease. 2.4 unionized linemen FTE's went to other utilities, one FTE was terminated, one FTE retired in June of 2011. NPEI had 2 employees on maternity leave totaling a decrease of 1.55 FTE's. One smart meter coordinator was hired as management effective January 1st and the HR coordinator was hired as management in August 2011 resulting in a decrease to the non-union FTE's of 1.3. These decreases were offset by 2 vehicle technicians hired in July 2011 to replace the Lead Hand Vehicle Technician who retired December 31, 2011. Five co-op apprentices were hired in 2011 resulting in an increase of 2.6 FTE's.

The change in wages related to the change in FTE's was a decrease of $255K. This was offset by the wage increase as per the union contract in 2011 of 2.8% effective April 1st.

Benefits

Benefit expenses in 2011 increased by $162,940 over the 2011 Board Approved amount. Of this amount OMERS pension expense represents $107K of the increase which is due to an increase in contribution rates effective January 1, 2011 and the increase in salary and wages that impact OMERS premiums paid by NPEI. The remaining increase is due to an increase in premiums related to health, dental and life insurance benefits.

2012 Actual vs. 2011 Actual

Total FTE's in 2012 increased by 1.9 over 2011. Total wages increased $606K or 6.3%, benefits increased $190K or 10% for a total wages and benefits increase of $796K or 7.0%.

Management

Management FTE's increased by 4.2 in 2012 over 2011. Wages increased by $447K or 15.6%

The CDM coordinator was included in 2012 for a full year versus 0.8 of an FTE in 2011. The smart meter coordinator and NPEI's Business Analyst were hired into management effective January 1, 2012. Both of these positions were non-unionized in the 2011 Board Approved and 2011 Actual FTE counts. The HR coordinator was included as 0.7 of an FTE in non-union and 0.3 of a management employee in 2011. This position is included as one management FTE in 2012. The Engineering Manager was included as one FTE in 2012 versus 0.3 in 2011. The Controller returned from her first maternity leave in 2011 for one month and commenced a second maternity leave for the remainder of 2012. To account for the second maternity leave NPEI hired an accountant in June 2012 on a temporary basis.

Of the 4.2 increase in management FTE's, 2.7 FTE's were previously included as non-unionized in 2011 resulting in a shift of wages in the amount of $180K from the non-unionized and unionized line to the management line in Table 4-7 above. The remaining 1.5 FTE increase resulted in wages increasing by $150K in 2012 over 2011. Wages increased by 2.9% for management employees effective January 1st resulting in an increase of $83K in 2012 over 2011. In 2012, NPEI promoted its Systems Analyst to a new position, Business Application Support Manager. This new position oversees the work of the smart meter coordinators and the Business Analyst positions.

Non-unionized and union FTE's

Non-unionized and union FTE's decreased by 2.3 FTE's in 2012 versus 2011. Wages increased by $159K or 2.4%.

0.6 non-unionized employees and 0.5 unionized employees left the company in 2012. One customer service unionized employee retired in June of 2012. The equivalent of 0.9 FTE's went on long-term disability in 2012 from the customer service and billing department. One lineman and four co-op apprentices were hired in 2012 resulting in an FTE increase of 1.7. The Vehicle Lead Hand Technician retired at the end of 2011 which is offset by the two vehicle technicians in for a full year in 2012 versus 0.2 in 2011. The net impact is an increase of 0.6 FTE's in the vehicle department. The net impact of maternity leaves in 2012 resulted in an increase of 0.15 FTE's. The three non-unionized FTE's that left in 2011 were not replaced in 2012 resulting in a decrease of 2.25FTE's. Total wages decreased by $80K due to the decrease in FTE's.

Benefits

Benefit expenses increased by $190,222 or 10% in 2012 over 2011 mainly as a result of OMERS pension expense increased by $173K.

2013 Actual vs. 2012 Actual

Total FTE's increased by 0.6 from 2013 to 2012. Total wages increased by $460K or 4.5%, benefits increased $201K or 9.6% for a total increase in wages and benefits of $661K or 5.4%.

Management FTE's increased by 0.8. Wages increased by $188K or 5.7%

The Controller returned in 2013 for the equivalent of 0.3 FTE's increase over 2012 and the temporary accountant hired in June of 2012 was hired full-time in 2013 as a Regulatory and Financial Analyst for an increase of 0.5 FTE's. NPEI's current Regulatory and Financial Analyst was promoted to Regulatory Affairs and Accounting Manager position which was a new position created by NPEI to fulfill the increasing regulatory requirements. Wages increased by $76K related to the change in management FTE's. The remaining increase of $112K relates to a wage increase of 3.1% ($103K) effective January 1st for management employees plus increases related to management employees moving up to their next level on the salary grid provided the employee's performance evaluation criteria were met.

Non-unionized and Unionized

Non-unionized and unionized total FTE's decreased by 0.2 in 2013 from 2012. Wages increased by $272K or 4.0%

One billing clerk retired in October 2013, one lead hand lineman retired in early 2013, 2 linemen left the company for other jobs equivalent to 1.0 FTE and 0.7 non-unionized FTE's left the company. Offsetting this was the return of an employee who was terminated in 2012 in June of 2013, and 2 new co-op apprentices were hired. Total wages decreased by $79K related to the change in FTE's. The effective wage increase for this category of employees for 2013 is 2.3% (3.1% effective from April 1st or 9 months). The wage increase of 2.3% represents $157K of the $272K total wage increase. The remaining wage increase is due to four co-op apprentices from 2011 were hired full time in March 2013 and three co-op apprentices from 2012 were hired full time in May 2013 for the equivalent increase of 1.5 FTE's. The wage differential between a co-op apprentice and a first year lineman is approximately ten dollars per hour.

Benefits

Benefits increased by $201K or 9.6% from 2012 to 2013 mainly due to OMERS pension expense increased $160K due to contribution rate increases along with the salary and wage increases applicable to OMERS.

2014BY vs. 2013 Actuals

Total FTE's in 2014BY decreased by 0.5. Wages increased by $262K and benefits decreased by $51K from 2014BY to 2013 actual. Total wages and benefits increased $210K or 1.6% over 2013 actuals in the 2014BY.

Management

Management FTE's increased by 0.4 due to the Controller is included in 2014 for a full year versus 0.6 in 2013 due to a maternity leave. The impact is approximately $46K. The wage increase of 3.1% effective January 1st accounts for $$108K of the total wage increase of $153K related to management wages.

Non-unionized and unionized

Non-unionized and unionized FTE's decreased by 0.9 FTE's from 2013 to 2014. Wages increased by $109K or 1.5%.

The employees that retired in 2013 equate to a decrease of 0.9 FTE's. The unionized and non-unionized employees that left the company in 2013 equate to a decrease of 1.0 FTE. A non-unionized cashier's contract ended due to the water reverting back to the City of Niagara Falls equates to 0.5 FTE and one billing clerk is on maternity leave in 2014 which is a decrease of 1.0 FTE. This is offset by an increase of 1.8 FTE's related to the co-op apprentices plus a lineman was hired in May 2014. Total wages related to the change in non-unionized and unionized FTE's is a decrease of $217K. This is offset by the wage increase of 3.1% which was effective

April 1st, 2014. Wages related to the decrease in FTE's are higher than the wages related to the additions in FTE's.

Benefits

Benefit expenses decreased by $51K or 2.2% from 2014 to 2013. OMERS expense increased by $39K or 3.6%. There were no changes to the OMERS contribution rates in 2014. In 2013, NPEI completed a request for proposal for its health, dental, LTD and life insurance premiums. Effective April 2013, NPEI switched its benefit carrier to Great West Life from Manulife. As a result monthly health and dental premiums decreased by approximately, $6.5K per month.

2015 TY vs. 2014BY

Total FTE's increased by 1.4 from 2014 bridge year to the 2015 test year. Wages increase by $297K or 2.8%, benefits increase by $131K or 5.8% for a total wages and benefit increase of $428K or 3.3%.

Management

Management FTE's increase by 1.0 FTE due to a new Systems Analyst being hired at the start of 2015. Recruitment plans are scheduled for the fall of 2014. The organizational structure of Information Technology division is specific to Hardware, Security, Telecommunications and Software: User and Technical support. There are two departments within the umbrella of Information Technology: Information Technology (IT) and Business Application Support (BAS). IT manages hardware, security, telecommunications and software technical support. Business Application Support manages software and business process user support. Both departments are instrumental in the technical and business application support for customer service, billing, cash, as well as, other business and operational areas.

The following resources reside within the IT department: manager, network administrator, and systems analyst. The following resources reside within the Business Application Support department: manager, business analyst, and smart meter coordinators (2.)

The Systems Analyst works closely with both IT groups: IT and Business Application Support. This position reports to the IT Manager and is responsible for providing research, development and implementation of information systems development plans, policies and procedures. The incumbent is responsible for providing advice on a variety of information systems issues and acts as the database administrator and report writer for the customer information system. With the increased attention to customer preference and need for access to customer data, the systems analyst completes reporting based on business process support, as well as, marketing and regulatory reporting.

The systems analyst will provide advice on the technical nature of user requirements. The systems analyst conducts business and technical studies and designs, develops and implements information systems business solutions. The systems analyst provides technical assistance by responding to inquiries from other users, business units regarding errors, problems or questions. The systems analyst would work with Business Application Support to define and implement solution.

The systems analyst also collaborates with the IT Manager and Network administrator to develop and implement policies and procedures throughout the software development life cycle to maximize efficiencies, effectiveness and overall quality of software products and information systems. The wage increase due to the change in FTE's is $75K. The union contract currently expires March 31, 2015 and management wage increases have typically been equal to the union contract wage increases however with an effective date of January 1st versus April 1st. Since the union contract impacting the 2015 test year has not been negotiated, NPEI used an estimate of 2.5% of a wage increase for 2015.

<u>Non-unionized and Unionized</u>

NPEI includes a 0.4 FTE increase in 2015. One FTE is expected to retire in the operations department at the beginning of the 2015 test year; the non-unionized cashier will not be replaced in 2015 resulting in a decrease of 0.5. This is offset by the return of the billing clerk on maternity leave in 2014 and an increase in co-op apprentice FTE's of 0.9 FTE's. Wages related to the change in FTE's is approximately $20K. The wage increase is estimated at 2.5% for unionized and non-unionized employees effective April 1st. NPEI notes this is not a negotiated wage increase but is only an estimate for purposes of preparing its 2015 COS rate application. The estimated effective wage increase is 1.8% for a total wage increase of approximately $125K in the 2015 test year over the 2014 bridge year.

Benefits

NPEI has included a benefit expense increase of $131K or 5.8%. OMERS expense is estimated to increase $35K which is due to the increase in FTE's and the salary increases noted above. Benefits related to health, dental, LTD and life insurance are estimated to increase by $96K. This is mainly due to a change in the post retirement liability related to employee future benefits in the amount of $86K that has resulted from the most recent actuarial valuation. This actuarial valuation is included in E4/T3/S2/Att2.

2011 Board Approved vs. 2015 Test Year

Total FTE's have decreased by 2.8 from the 2011 Board Approved to the 2015 test year. Total wages and benefits have increased by $2.5M or 23.3%.

Wages have increased by $1.9M or 20.8%.

Management FTE's increased by 7, of which four of these FTE's were included in the non-unionized group in the 2011 Board Approved FTE's. Three new management positions since 2011 Board Approved include a CDM coordinator, a Regulatory Affairs and Accounting Manager and a Business Applications Support Manager. These new positions account for approximately $300K of the total increase.

Non-unionized and unionized FTE's decreased by 9.8. Four non-unionized positions were hired as management. Three of these FTE's are a result of the water billing activities returning to the City of Niagara Falls in 2014. In the 2015 test year NPEI has included 1.2 FTE's which are non-unionized co-op apprentices. All remaining FTE's are either management or unionized.

Payroll inflationary increases account for approximately $1.2M of the total increase.

Benefits increased by $634K or 36.3% from the 2011 Board Approved to the 2015 test year. Of this increase OMERS increased $507K or 79.6% from the 2011 Board Approved to the 2015 test year. Health, dental, LTD and life insurance premiums and benefits for active and retired employees increased by $128K or 11.5% from the 2011 Board Approved to the 2015 test year.

Note the 2011 Board Approved FTE's included in the distribution revenue requirement totaled 133 per Table 4-7. In the 2015 test year 128.2 FTE's are included in the distribution revenue requirement and 2 FTE's wages and benefits are funded by the OPA program revenues. This resulted in a 4.8 FTE decrease from the revenue requirement from the 2011 Board Approved through to the 2015 test year.

Attachment 1 of 2

OEB Appendix 2-K

File Number:	EB-2014-0096
Exhibit:	4
Tab:	3
Schedule:	2
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Date:	29-Aug-14

Appendix 2-K
Employee Costs

	Last Rebasing Year - 2011- Board Approved	Last Rebasing Year - 2011- Actual	2012 Actuals	2013 Actuals	2014 Bridge Year	2015 Test Year
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	29.0	29.6	33.8	34.6	35.0	36.0
Non-Management (union and non-union)	104.0	97.2	94.9	94.7	93.8	94.2
Total	133.0	126.8	128.7	129.3	128.8	130.2
Total Salary and Wages including ovetime and incentive pay						
Management (including executive)	2,724,598	2,864,484	3,311,489	3,499,353	3,652,122	3,819,388
Non-Management (union and non-union)	6,506,743	6,681,647	6,840,692	7,113,131	7,222,031	7,337,571
Total	$ 9,231,341	$ 9,546,131	$ 10,152,181	$ 10,612,484	$ 10,874,154	$ 11,156,960
Total Benefits (Current + Accrued)						
Management (including executive)	556,257	636,365	726,388	815,842	781,855	839,478
Non-Management (union and non-union)	1,188,354	1,271,187	1,371,385	1,483,169	1,465,770	1,539,496
Total	$ 1,744,611	$ 1,907,551	$ 2,097,773	$ 2,299,012	$ 2,247,625	$ 2,378,973
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 3,280,855	$ 3,500,848	$ 4,037,877	$ 4,315,196	$ 4,433,977	$ 4,658,866
Non-Management (union and non-union)	$ 7,695,097	$ 7,952,834	$ 8,212,077	$ 8,596,300	$ 8,687,801	$ 8,877,067
Total	$ 10,975,952	$ 11,453,683	$ 12,249,954	$ 12,911,496	$ 13,121,778	$ 13,535,933

Note:

[1] If an applicant wishes to use headcount, it must also file the same schedule on an FTE basis.

Attachment 2 of 2

Actuarial Valuation 2014 to 2016

Collins Barrow

Collins Barrow Toronto
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July 31, 2014

BY E-MAIL: suzanne.wilson@npei.ca

Ms. Suzanne Wilson
V.P. Finance
Niagara Peninsula Energy Inc.
7447 Pin Oak Drive
Niagara Falls, ON L2E 6S9

Dear Ms. Wilson:

Re: Niagara Peninsula Energy Inc. Actuarial Valuation Report as at January 1, 2014: Post-Retirement Non-Pension Benefit Plan

Attached is our actuarial valuation report as at January 1, 2014 ("Report") for the above-captioned benefit plan.

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

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

For the post-retirement non-pension plan, the January 1, 2014 Accrued Benefit Obligation ("ABO") is approximately $2,510,000 with the supporting calculations being summarized in the actuarial valuation report hereby attached.

The FY 2014 benefit expense is approximately $134,000 with the supporting calculations summarized in the accounting worksheets hereby attached. Our calculations of the FY 2014 benefit expense are based on the benefit plan provisions, data, assumptions and methodology as summarized in the Report.

Results under International Financial Reporting Standards ("IFRS")

Also included, as per your request, in separate accounting worksheets attached hereto, are the following items on the basis of International Financial Reporting Standards IAS 19 (Employee Benefits):

- Calculations of the present value of defined benefit obligations under IAS 19 guidelines for fiscal years ending December 31, 2014, December 31, 2015 and December 31, 2016.

For clarity, our IAS 19 based calculations reflect the revised IAS 19 standards released in June 2011 and which are effective for fiscal years beginning after January 1, 2015 with early adoption permitted. The attached results are for informational purposes only and may not reflect any final adjustments related to transition to IFRS.

The following are noted in regards to the attached IAS19 figures:

- The employee data used is as detailed in the Report.
- The methodology used in the calculation of the present value of the defined benefit obligation and current service cost is the same as outlined in the Report, with the exception of the changes described below in respect of the application of the provisions in Sections 67-71 of IAS 19 regarding attributing benefits to periods of service. More specifically, the following changes were made to the attribution period for post-retirement non-pension benefits to reflect underlying post-retirement benefit service eligibility requirements under these plans and the application of IAS 19 to same:
    - Due to the minimum 20-year service requirement to be eligible for the retiree extended health and dental benefits, the attribution period under IFRS for these benefits commences at the later of the date of hire and age 35 and ceases at the later of age 55 or the date at which 20 years of service is reached.
- The assumptions used are the same as those detailed herein and in the Report.
- Our calculations conform to the standards as set out in the amendments to International Accounting Standard 19 (Employee Benefits) issued in June 2011.

Pursuant to paragraph 24 of IFRS 1 (First-Time Adoption of IFRS), the attached results are prepared based on the understanding that the Corporation will book an adjustment to retained earnings for all unrecognized actuarial gains and losses and past service costs at the date of transition to IFRSs, i.e. January 1, 2014. The Table below provides details of the adjustment to retained earnings to be made at the IFRS transition date.

January 1, 2014	CICA 3461	Adjustment	IAS 19
ABO / Present Value Defined Benefit Obligation	$ 2,509,678	($ 194,010)	$ 2,315,668
Actuarial Gains/(Losses)	$ 1,496,911	($ 1,496,911)	$ -
Unrecognized Past Service Gain/(Cost)	($ 120,300)	$ 120,300	$ -
Net Liability/(Asset)	$ 3,886,289	($ 1,570,621)	$ 2,315,668

We are not aware of any subsequent events that would have a significant impact on our calculations.

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

Yours truly,

Stanley Caravaggio

Stanley Caravaggio
Senior Manager
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Patrick G. Kavanagh

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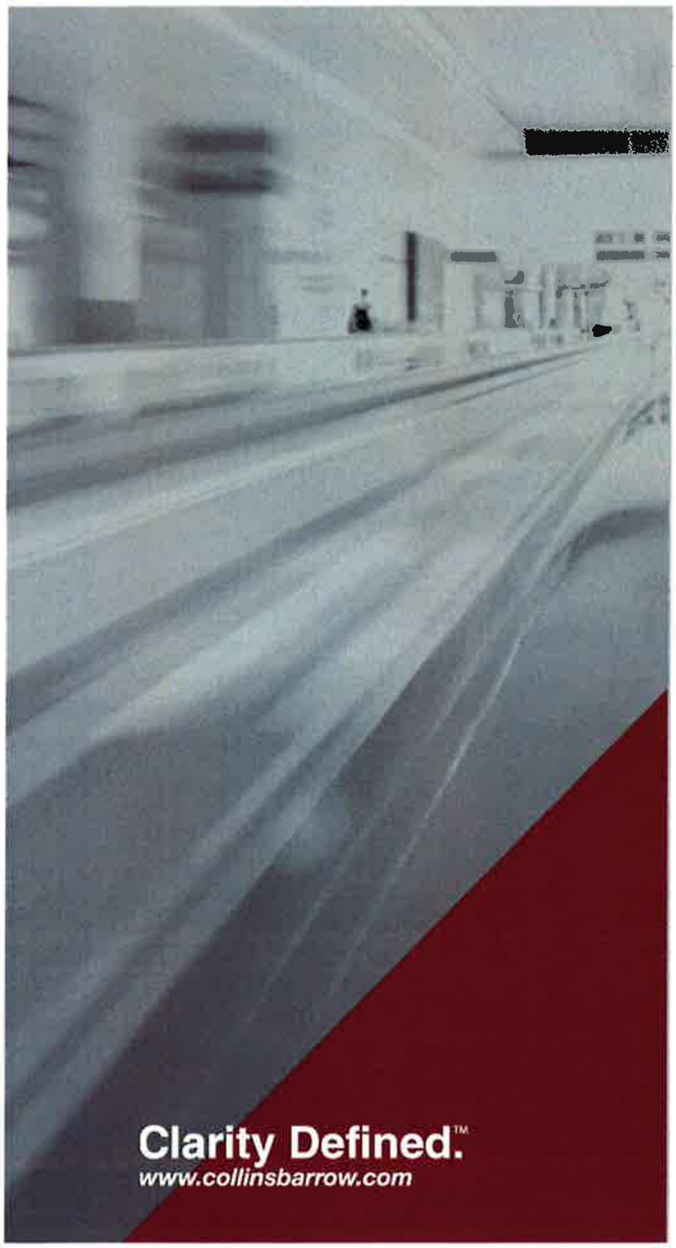
ACTUARIAL SERVICES



NIAGARA PENINSULA ENERGY INC.

Report on the Actuarial Valuation of
Post-Retirement Non-Pension Benefits

As at January 1, 2014

FINAL – July 31, 2014

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EXECUTIVE SUMMARY

PURPOSE

MEARIE Actuarial Services and Collins Barrow Toronto Actuarial Services Inc. were engaged by Niagara Peninsula Energy Inc. (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2014. The nature of these benefits is defined benefit.

This report is prepared in accordance with The Canadian Institute of Chartered Accountants (the "CICA") guidelines outlined in Employee Future Benefits, Section 3461 of the CICA Handbook-Accounting ("CICA Section 3461"). CICA Section 3461 was first applied to the Corporation with effect from January 1, 2001.

The most recent full valuation was prepared as at January 1, 2011 based on the then appropriate assumptions.

The purpose of this valuation is threefold:

i) to determine the Corporation's liabilities in respect of post-retirement non-pension benefits at January 1, 2014;

ii) to determine the benefit expense for fiscal year 2014; and

iii) to provide all other pertinent information necessary for compliance with CICA Section 3461.

The intended users of this report include the Corporation and their auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

SUMMARY OF KEY RESULTS

The key results of this actuarial valuation as at January 1, 2014 with comparative results from the previous valuation as at January 1, 2011 are shown below:

	January 1, 2011	January 1, 2014
Accrued Benefit Obligation (ABO)		
a) People in receipt of benefits	1,171	952
b) Fully eligible actives	217	368
c) Not fully eligible actives	1,215	1,189
Total ABO	**2,603**	**2,509**
Current Service Cost: *for following 12 months*	90	81
Benefit Expense: *for following 12 months*	172	134
Prepaid Benefit Liability: *at January 1*		3,886

The January 1, 2014 Prepaid Benefit Liability is based on the Corporation's financial statements as at December 31, 2013.

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by Niagara Peninsula Energy Inc. (the "Corporation") as at January 1, 2014, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and we express no opinion on them;
3. All known substantive commitments with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
4. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

We are not aware of any subsequent events from January 1, 2014 up to the date of this report that would have a significant effect on our valuation.

The latest date on which the next actuarial valuation should be performed is January 1, 2017. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

COLLINS BARROW TORONTO ACTUARIAL SERVICES INC.

Stanley Caravaggio

Stanley Caravaggio, FSA FCIA
Fellow, Canadian Institute of Actuaries

Patrick G. Kavanagh

Patrick G. Kavanagh, AB ASA ACIA
Manager

Toronto, Ontario

July 31, 2014

SECTION A— VALUATION RESULTS

Table A - 1 shows the key valuation results for the prior valuation and the current valuation.

Table A - 2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown a change to the assumed retirement age from age 60 to 58, and an increase/decrease in the health and dental claims cost trend rates by 1% per annum.

Table A - 3 presents the determination of the actuarial gain/(loss) from the previous valuation at January 1, 2011.

VALUATION RESULTS

Table A.1—Valuation Results

	January 1, 2011	January 1, 2014
1. Accrued Benefit Obligation		
a) People in receipt of benefits	1,171	952
b) Fully eligible actives	217	369
c) Not fully eligible actives	1,215	1,189
Total ABO	**2,603**	**2,510**
2. Benefit Expense		
a) Current Service Cost	90	81
b) Interest Cost	132	122
c) Expected Return on Assets	-	-
d) Amortization of Transition Amount	-	-
e) Amortization of Prior Service Cost	20	20
f) Amortization of (Gain)/Losses	(70)	(89)
Total Benefit Expense *for following 12 months*	**172**	**134**
3. Expected Benefit Payments *for following 12 months*	119	113

SENSITIVITY ANALYSIS

Table A.2—Sensitivity Analysis

	January 1, 2014			
	Valuation Results	**Retirement Age 58**	**1% Higher Trend**	**1% Lower Trend**
1. Accrued Benefit Obligation				
a) People in receipt of benefits	952	952	974	934
b) Fully eligible actives	369	427	379	359
c) Not fully eligible actives	1,189	1,549	1,337	1,063
Total ABO	**2,510**	**2,928**	**2,690**	**2,356**
2. Current Service Cost *for following 12 months*	81	104	93	71
3. Interest Cost *for following 12 months*	122	142	131	114
4. Expected Average Remaining Service Lifetime of the Current Active Employees (years)	14	13	14	14

DEVELOPMENT OF NET GAINS OR LOSSES

Table A.3—Development of Net Gains or Losses

Expected ABO at December 31, 2013	3,327
Actual ABO at January 1, 2014	2,510
Actuarial Loss/(Gain)	(817)
Amortization of Unamortized Actuarial Loss	
Unamortized Net Actuarial Loss (Gain) at December 31, 2013	(680)
Actuarial Loss (Gain) for Current Year at January 1, 2014	(817)
Total Loss (Gain) at January 1, 2014	(1,497)
Less: Actual Amortization for 2014	(89)
Expected Unamortized Actuarial Loss (Gain) at December 31, 2014	(1,408)

Please note that the actual ABO at January 1, 2014 is approximately $817,000 lower than the expected ABO at December 31, 2013. This is due to a combination of the following factors:

- Differences between the actual and expected health and dental benefit cost rates (a decrease of approximately $513,000)
- A change in the discount rate assumption (a decrease of approximately $307,000)
- A change in the mortality and coverage type assumptions (a decrease of approximately $124,000)
- A change in Health and dental trend rate assumptions (a decrease of approximately $28,000)
- A change in salary rate assumptions (a decrease of approximately $8,000)
- A change in the withdrawal rate assumptions (an increase of approximately $51,000)
- Deviations from the expected demographic changes of the valued group and other miscellaneous factors (an increase of approximately $112,000 in the total ABO)

CICA Section 3461 States that any gain or loss in excess of 10% of the ABO must, at minimum, be amortized over the expected average remaining service lifetime ("EARSL"). The EARSL of the current active group is 14 years. In prior valuations, the Corporation has recognized the minimum actuarial gain or loss, therefore, the actual amount of actuarial losses to be amortized for 2014 is approximately $89,000.

AMORTIZATION OF UNAMORTIZED PAST SERVICE COST

Unamortized Past Service Costs at January 1, 2014	$	120
Less: Actual Amortization for year 2014	$	20
Unamortized Past Service Costs at December 31, 2014	$	100

The recognition of past service (i.e. service from date of hire to January 1, 2008) in respect of former PenWest active employees for benefit eligibility purposes and thus valuation purposes resulted in a past service liability as of January 1, 2008 of $240,599.

Pursuant to CICA Section 3461, an amortization schedule was established at January 1, 2008, in which the past service liability is being amortized on a straight-line basis over the average remaining service period of the active employees expected to receive benefits up to the full eligibility date as at January 1, 2008. The actual amortization for the year 2014 is approximately $20,000.

SECTION B— PLAN PARTICIPANTS

Table B – 1 sets out the summary information with respect to the plan participants valued in the report, along with comparisons to the participants in the previous valuation at January 1, 2011.

Table B – 2 reconciles the number of participants in the last valuation to the number of participants in the current valuation.

PARTICIPANT DATA

Table B.1—Participant Data

Membership data as at January 1, 2014 was received from the Corporation via e-mail and included information such as name, sex, age, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

We have reviewed the data and compared it to the data used in the prior valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of birth prior to date of hire
- Salaries less than $20,000 per year, or greater than $250,000 per year
- Ages under 18 or over 100
- Abnormal levels of benefits and/or premiums
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

Active Employees

As of January 1	2011 Male	2011 Female	2011 Total	2014 Male	2014 Female	2014 Total
Number of Employees	65	46	111	76	47	123
Average Length of Service	13.4	10.9	12.3	13.6	12.5	13.2

As of January 1, 2014	Current Age					
	Active Lives—Not fully eligible			Active Lives—Fully eligible		
	Count			Count		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Age Band						
Less than 30	17	3	20	-	-	-
30-35	8	3	11	-	-	-
36-40	13	11	24	-	-	-
41-45	6	8	14	-	-	-
46-50	11	10	21	-	-	-
51-55	11	4	15	2	2	4
56-60	-	-	-	4	4	8
61-65	-	-	-	4	2	6
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**66**	**39**	**105**	**10**	**8**	**18**

As of January 1, 2014	Average Service					
	Active Lives—Not fully eligible Service			Active Lives—Fully eligible Service		
	Male	Female	Total	Male	Female	Total
Age Band						
Less than 30	3.6	4.5	3.7	-	-	-
30-35	6.8	4.9	6.3	-	-	-
36-40	10.5	9.8	10.2	-	-	-
41-45	10.5	9.0	9.6	-	-	-
46-50	20.4	14.6	17.6	-	-	-
51-55	23.8	23.2	23.6	31.5	34.5	33.0
56-60	-	-	-	20.7	13.8	17.2
61-65	-	-	-	22.5	10.0	18.3
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**12.1**	**11.4**	**11.9**	**23.6**	**18.0**	**21.1**

People in Receipt of Benefits

As of January 1	2011			2014		
	Male	Female	Total	Male	Female	Total
Number of Members	27	12	39	26	15	41

As of January 1, 2014	Expected Annual Benefit Payments		
Age Band	Male	Female	Total
Less than 30	-	-	-
30-35	-	-	-
36-40	-	-	-
41-45	-	-	-
46-50	-	-	-
51-55	-	-	-
56-60	8,535	-	8,535
61-65	25,134	16,939	42,073
66-70	265	832	1,098
71-75	3,907	740	4,647
Greater than 75	48,940	-	48,940
Total	**86,782**	**18,512**	**105,294**

PARTICIPATION DATA

Table B.2—Participation Data

	Actives	Dependents	Disabled	Retirees
As at January 1, 2011	**111**	**1**	**-**	**38**
New Entrants	20	-	-	-
New Dependents	-	1	-	-
Active	-	-	2	3
LTD	(2)	-	-	-
Terminated	(3)	-	-	-
Deceased	-	-	-	(4)
Retired	(3)	-	-	-
As at January 1, 2014	**123**	**2**	**2**	**37**

SECTION C— SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions as to the discount rates, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The ABO and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by CICA Section 3461 when future salary levels or cost escalation affect the amount of the employee's future benefits. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. CICA Section 3461 stipulates that the attribution period commences at the employee's hire date and ends at the earliest age at which the employee could retire and qualify for the post-retirement non-pension benefits valued herein.

For each employee not yet fully eligible for benefits, the ABO is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

For health and dental benefits, the Corporation has selected the premium rates charged to retirees as management's best estimate of the benefits costs to be incurred. The total monthly premium rates, inclusive of premium taxes, used are as follows:

	Health Care		***Dental Care***	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
Eligible Retirees	$132.08	$312.97	$58.94	$143.39

The above premium rates were provided by the Corporation and represent the rates effective January 1, 2014 to December 31, 2014.

The ABO at January 1, 2014 is based on membership data and management's best estimate assumptions at January 1, 2014.

ACCOUNTING POLICIES

The Corporation amortizes the amount of any gain or loss in excess of 10% of the ABO divided by the expected average remaining service lifetime of the active members of the group.

Pursuant to CICA Section 3461, the past service cost is amortized on a straight-line basis over the average remaining service period to full eligibility of active employees at the measurement date.

MANAGEMENT'S BEST ESTIMATE ASSUMPTIONS

The following are management's best estimate economic and demographic assumptions as at January 1, 2014.

ECONOMIC ASSUMPTIONS

Consumer Price Index

The consumer price index is assumed to be 2.00% per annum.

This is the same assumption used in the previous valuation.

Discount Rate

The rate used to discount future benefits is assumed to be 4.80% per annum. This rate reflects the market interest rates at the measurement date on high quality debt instruments with consideration given to the timing and amount of projected benefit payments.

The assumption used in the previous valuation was 5.00% per annum, which was subsequently updated to 4.00% per annum at December 31, 2012.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.10% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion adjusted for company specific information.

The assumption used in the previous valuation was 3.30% per annum.

Claims Cost Trend Rate

The rates used to project benefits cots into the future are as follows:

	Current Valuation		Previous Valuation	
End of Year	***Health***	***Dental***	***Health***	***Dental***
2014	7.00%	4.60%	6.88%	5.00%
2015	6.70%	4.60%	6.50%	5.00%
2016	6.40%	4.60%	6.13%	5.00%
2017	6.10%	4.60%	5.75%	5.00%
2018	5.80%	4.60%	5.38%	5.00%
2019	5.50%	4.60%	5.00%	5.00%
2020	5.20%	4.60%	5.00%	5.00%
2021	4.90%	4.60%	5.00%	5.00%
2022 and Thereafter	4.60%	4.60%	5.00%	5.00%

DEMOGRAPHIC ASSUMPTIONS

Mortality Table

The mortality tables used are as per the Canadian Institute of Actuaries Canadian Pensioners' Mortality Pension Experience Subcommittee report dated February 11, 2014 (CIA Report). More specifically, the 2014 Public Sector Mortality Table has been used with the generational projection of mortality improvement based upon CPM Improvement Scale B1-2014.

Mortality rates are applied on a sex-distinct basis.

The previous valuation used the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2020 based upon Projection Scale AA.

Rates of Withdrawal

Termination of employment is assumed to be in accordance with the following withdrawal table, which was compiled using withdrawal experience for a group of local distribution companies and municipalities for which data was available:

Age Band	Withdrawal Rate per Annum
18 – 29	2.75%
30 – 34	2.25%
35 – 39	2.00%
40 – 54	1.50%

In the prior valuation, a flat rate of 2.00% per annum was used for termination of employment prior to age 55.

Retirement Age

All active employees are assumed to retire at age 60 (or immediately if currently over age 60). For active employees who do not meet the minimum service requirement of 20 years at age 60, the assumed retirement age is increased to the age at which 20 years of service is reached, not to exceed age 65.

This assumption remains unchanged from the previous valuation.

Disability

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled until retirement at age 65. This assumption remains unchanged from the previous valuation.

Family/Single Coverage

It is assumed that the coverage type as at January 1, 2014 as provided by the Corporation, will remain the same until the employee reaches the assumed retirement age. For family coverage, it is assumed that the retiree has a spouse of opposite gender and no other dependents. Male spouses are assumed to be 3 years older than female spouses.

In the previous valuation, it was assumed that the employee's coverage type at the valuation date, as provided in the valuation data by the Corporation, would remain the same throughout retirement. Similar assumptions were made for spousal gender and spousal age offset.

Expenses and Taxes

We have assumed 10% of benefits is required for the cost of sponsoring the program for life insurance. We have assumed taxes and expenses are included in the premium rates for health and dental benefits. These are the same assumptions that were used in the previous valuation.

SECTION D—
SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation, based on information provided by and discussions with the Corporation.

GOVERNING DOCUMENTS

The program is governed by the following documents and agreements:

- Collective agreement between Niagara Peninsula Energy Inc. and Local Union No. 636 of the International Brotherhood of Electrical Workers (A.F. of L. C.I.O. C.L.C) in effect until March 31, 2015.
- Greater West Life Insurance Company Group Policy #0031119 effective April 1, 2013.

What follows is only a summary of the post-retirement non-pension benefits program. For a complete description, please refer to the above-noted document.

ELIGIBILITY

All employees hired prior to January 1, 2007 are eligible for post-retirement life insurance coverage. All employees hired after January 1, 2007 are not eligible for post-retirement life insurance coverage.

All employees who leave the Corporation from age 55 to age 65 with a minimum of 20 years of active service at the time they leave are eligible for the post-retirement health and dental benefits.

PARTICIPANT CONTRIBUTIONS

For employees hired prior to January 1, 2007, the Corporation shall pay 100% of the cost of the post-retirement life, health and dental benefits for the eligible retirees.

For employees hired after January 1, 2007, the Corporation shall pay 55% of the cost of the post-retirement health and dental benefits for the eligible retirees.

LENGTH OF SERVICE

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

SUMMARY OF BENEFITS

Life Insurance

All current employees who retire from the Corporation are eligible for post-retirement life insurance, as per the MEARIE plan, administered by Great West Life, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
1	Flat $2,000.	If employee retires with less than 10 years of service in the Plan.
2	50% of final annual earnings reducing by 2.5% of final annual earnings each year thereafter for 10 years, to a final benefit equal to 25.0% of final annual earnings. Reduction occurs on anniversary date of retirement.	If employee was ever insured under Employee Plan options 2, 3 or 4, **or** if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of final annual earnings.	If employee was insured under superseded plan and was hired on or after May 1, 1967 and elected coverage under Option 1 only.
4	70% of the final amount insured for under the life plan immediately prior to retirement.	If employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under Option 1 only.
5	Amount of retirement insurance coverage in force under superseded plan grandfathered.	Frozen group of insured whose retirement occurred under superseded plan prior to transfer to Sun Life.

Health and Dental Benefits

All eligible employees are entitled to extended health and dental benefits until age 65. This includes dependents of employees and/or retirees covered by this clause upon their death, regardless of years of service until the employee's normal retirement date or the spouse remarries.

A detailed description of the health and dental benefits covered under the post-retirement non-pension benefits can be found in the above-noted collective agreement.

Long Term Disability Benefits

The Corporation will continue to pay for an existing employee's benefits while the employee is on LTD up to a maximum of 24 months.

SECTION E— EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Niagara Peninsula Energy Inc.
Actuarial Valuation as at January 1, 2014

I hereby confirm as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Niagara Peninsula Energy Inc. that, to the best of my knowledge and belief, for the purposes of the valuation:

i) the membership data summarized in Section B is accurate and complete;

ii) the assumptions upon which this report is based as summarized in Section C are management best estimate assumptions and are adequate and appropriate for the purposes of this valuation; and

iii) the summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on January 1, 2014.

NIAGARA PENINSULA ENERGY INC.

July 29, 2014
Date

Suzanne Wilson
Signature

Suzanne Wilson
Name

VP Finance.
Title

Collins Barrow

7/31/2014

Niagara Peninsula Energy Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Projected** Calendar Year 2014
Discount Rate - January 1	4.80%
Withdrawal Rate	Age based rate table
Assumed increase in Employer Contributions	expected*

A. Determination of Benefit Expense

Current Service Cost	80,952
Interest on Benefits	121,646
Expected Interest on Assets	-
Past Service Cost	20,050
Transitional Obligation/(Asset)	-
Actuarial (Gain)/Loss	(88,996)
Benefit Expense	133,652

B. Reconciliation of Prepaid Benefit Asset (Liability)

Accrued Benefit Obligation (ABO) as at December 31	2,599,617
Assets as at December 31	-
Unfunded ABO	(2,599,617)
Unrecognized Loss/(Gain)	(1,407,916)
Unamortized Past Service Loss/(Gain)	100,250
Prepaid Benefit Asset (Liability)	(3,907,283)
Prepaid Benefit/(Liability) as at January 1	(3,886,289)
Benefit Income/(Expense)	(133,652)
Contributions/Benefit Payments by the Employer	112,659
Prepaid Benefit Asset (Liability)	(3,907,283)

* based on estimated employer benefit payments for those expected to be eligible for benefits.

**Projected CY2014 result is provided for informational purposes only. Significant changes in 2014 such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require a full actuarial review.

Collins Barrow

7/31/2014

Niagara Peninsula Energy Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Projected** Calendar Year 2014
Discount Rate - January 1	4.80%
Withdrawal Rate	Age based rate table
Assumed increase in Employer Contributions	expected*

C. Calculation of Component Items

Calculation of the Service Cost	
- Current service cost	80,952
Interest on Benefits	
- ABO at January 1	2,509,678
- Current service cost	80,952
- Benefit payments	(56,329)
- Accrued benefits	2,534,300
- Interest	121,646
Expected Interest on Assets	
- Assets at January 1	-
- Funding	56,329
- Benefit payments	(56,329)
- Expected assets	-
- Interest	-
Expected ABO as at December 31	
- ABO at January 1	2,509,678
- Current service cost	80,952
- Interest on benefits	121,646
- Benefit payments	(112,659)
- Expected ABO at December 31	2,599,617
Expected Assets as at December 31	
- Assets at January 1	-
- Funding	112,659
- Interest on assets	-
- Benefit payments	(112,659)
- Expected Assets at December 31	-

* based on estimated employer benefit payments for those expected to be eligible for benefits.

**Projected CY2014 result is provided for informational purposes only. Significant changes in 2014 such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require a full actuarial review.

Collins Barrow 7/31/2014

Niagara Peninsula Energy Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Projected** Calendar Year 2014
Discount Rate - January 1	4.80%
Withdrawal Rate	Age based rate table
Assumed increase in Employer Contributions	expected*

D. Actuarial (Gain)/Loss

(Gain)/Loss on ABO as at January 1	
- Prepaid Benefit/(Liability) as at January 1	3,886,289
- Unamortized Past Service Cost	120,300
- Unamortized (Gain)/Loss	(679,870)
- Expected ABO	3,326,719
- Actual ABO	2,509,678
- Total (Gain)/Loss on ABO	(817,041)
(Gain)/Loss on assets as at January 1	
- Expected assets	-
- Actual assets	-
- (Gain)/Loss on assets	-
Total (Gain)/Loss as at January 1	(1,496,911)
10% of ABO as at January 1	250,968
Total (Gain)/Loss in excess of 10%	(1,245,944)
Expected average remaining service life (years)	14
Minimum Amortization for current year	(88,996)
Actual Amortization for current year	(88,996)
Unamortized (Gain)/Loss at December 31, 2014	(1,407,916)

* based on estimated employer benefit payments for those expected to be eligible for benefits.

**Projected CY2014 result is provided for informational purposes only. Significant changes in 2014 such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require a full actuarial review.

Niagara Peninsula Energy Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Projected** Calendar Year 2014
Discount Rate - January 1	4.80%
Withdrawal Rate	Age based rate table
Assumed increase in Employer Contributions	expected*

E. Amortization of Past Service Costs

- Unamortized past service costs as at beginning of period	120,300
- Period over which past service costs are to be amortized	6
- Actual amortization for current period	20,050
- Unamortized past service costs as at end of period	100,250

* based on estimated employer benefit payments for those expected to be eligible for benefits.

**Projected CY2014 result is provided for informational purposes only. Significant changes in 2014 such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require a full actuarial review.

Collins Barrow

7/31/2014

Niagara Peninsula Energy Inc.
ESTIMATED BENEFIT EXPENSE (IAS 19)
FINAL

	Projected** CY 2014	Projected** CY 2015	Projected** CY 2016
Discount Rate at January 1	4.80%	4.80%	4.80%
Health Benefit Cost Trend Rate at December 31			
Initial Rate	7.00%	6.70%	6.40%
Ultimate Rate	4.60%	4.60%	4.60%
Year Ultimate Rate Reached	2022	2022	2022
Dental Benefit Cost Trend Rate	4.60%	4.60%	4.60%
Salary Scale Rate	3.10%	3.10%	3.10%
Assumed Increase in Employer Contributions	expected*	expected*	expected*

A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet

Net Defined Benefit Liability/(Asset) as at January 1	2,315,668	2,402,181	2,504,090
Defined Benefit Cost Recognized in Income Statement	199,172	212,298	222,056
Defined Benefit Cost Recognized in Other Comprehensive Income	-	-	-
Benefits Paid by the Employer	(112,659)	(110,388)	(106,908)
Net Defined Benefit Liability/(Asset) as at December 31	2,402,181	2,504,090	2,619,237

B. Determination of Defined Benefit Cost

B1. Determination of Defined Benefit Cost Recognized in Income Statement

Service Cost			
- Current Service Cost	90,724	99,642	104,425
- Past Service Cost	-	-	-
Net Interest Cost	108,448	112,655	117,631
Defined Benefit Cost Recognized in Income Statement	199,172	212,298	222,056

B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income

Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	-	-	
Return on Plan Assets (excluding amounts included in net interest cost)	-	-	-
Change in effect of asset ceiling	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	-	-	-
Total Defined Benefit Cost	199,172	212,298	222,056

C. Change in the Present Value of Defined Benefit Obligation

Present Value of Defined Benefit Obligation as at January 1	2,315,668	2,402,181	2,504,090
Current Service Cost	90,724	99,642	104,425
Past Service Cost	-	-	-
Interest Cost	108,448	112,655	117,631
Benefits Paid	(112,659)	(110,388)	(106,908)
Net Actuarial Loss/(Gain)	-	-	-
Present Value of Defined Benefit Obligation as at December 31	2,402,181	2,504,090	2,619,237

* based on estimated employer benefit paid for those expected to be eligible for benefits

**Projected CY2014, CY2015 and 2016 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require a full actuarial review.

Niagara Peninsula Energy Inc.
ESTIMATED BENEFIT EXPENSE (IAS 19)
FINAL

	Projected** CY 2014	Projected** CY 2015	Projected** CY 2016
Discount Rate at January 1	4.80%	4.80%	4.80%
Health Benefit Cost Trend Rate at December 31			
Initial Rate	7.00%	6.70%	6.40%
Ultimate Rate	4.60%	4.60%	4.60%
Year Ultimate Rate Reached	2022	2022	2022
Dental Benefit Cost Trend Rate	4.60%	4.60%	4.60%
Salary Scale Rate	3.10%	3.10%	3.10%
Assumed Increase in Employer Contributions	expected*	expected*	expected*

D. Calculation of Component Items

Service Cost			
- Current Service Cost	90,724	99,642	104,425
- Past Service Cost	-	-	-
Interest Cost			
- Net Defined Benefit Liability/(Asset) as at January 1	2,315,668	2,402,181	2,504,090
- Benefits Paid	(56,330)	(55,194)	(53,454)
- Accrued Benefits	2,259,338	2,346,987	2,450,636
- Interest Cost	108,448	112,655	117,631
Expected Present Value of Defined Benefit Obligation as at December 31			
- Present Value of Defined Benefit Obligation as at January 1	2,315,668	2,402,181	2,504,090
- Current Service Cost	90,724	99,642	104,425
- Interest Cost	108,448	112,655	117,631
- Benefits Paid	(112,659)	(110,388)	(106,908)
- Expected Present Value of Defined Benefit Obligation as at December 31	2,402,181	2,504,090	2,619,237

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) on Present Value of Defined Benefit Obligation as at December 31			
- Expected Present Value of Defined Benefit Obligation	2,402,181	2,504,090	2,619,237
- Past Service Cost	-	-	-
- Expected Present Value of Defined Benefit Obligation (after Past Service Cost)	2,402,181	2,504,090	2,619,237
- Actual Present Value of Defined Benefit Obligation	2,402,181	2,504,090	2,619,237
- Net Actuarial Loss/(Gain) on Present Value of Defined Benefit Obligation	-	-	-

* based on estimated employer Benefits Paid for those expected to be eligible for benefits

**Projected CY2014, CY2015 and 2016 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require a full actuarial review.

Shared Services and Corporate Cost Allocation

NPEI records a flat fee for accounting services and actual insurance premiums for director's liability to its shareholders; Niagara Falls Hydro Holding Corporation (NFHCC) and Peninsula West Power Inc. (PWP) as detailed in the attached OEB Appendix 2-N Shared Services table. NPEI also performs bookkeeping services for a subsidiary of Peninsula West Power Inc., Peninsula West Services Ltd. The price for each service and the cost to provide the service is also illustrated in the Appendix 2-N below.

NPEI allocates director's liability insurance to NFHHC and PWP based on actual premiums included on the invoice from the insurance vendor. Since these costs are paid for by NPEI and charged back to the shareholders they have been included as shared services. All bookkeeping costs are based on actual time recorded including a payroll burden.

NPEI performed water and sewer billing for the customers only of the City of Niagara Falls at a market rate multiplied by the number of customers through an affiliated company Niagara Falls Hydro Services Inc. Niagara Falls Hydro Services Inc. is a subsidiary owned 100% by Niagara Falls Hydro Holding Corporation of which the City of Niagara Falls is the sole shareholder. Water and sewer billing for the City of Niagara Falls customers includes supervision, billing, customer service, cashiering, collection, accounting and finance wages and benefits based on actual weekly time recorded. Meter reading costs are provided by an outside third party and are clearly identified on invoices between electric and water services. Billing costs such as postage, envelopes, printed forms, office supplies, software and hardware maintenance are charged to the affiliate based on a fixed cost ($4.20) per water only bill. A fixed asset depreciation fee is charged monthly for the use of various fixed assets. The allocated Water

Administrative charges are recorded in Account 4375 and the allocated expenses are recorded in account 4380 on the 2.1.13 RRR year-end filing. The allocated expenses are shown by function on the audited year-end financial statements, billing and collecting, general and administrative expenses and depreciation expense. The water related activities performed by NPEI through its affiliate Niagara Falls Hydro Services Inc. ended in April 2014.

Direct Labour – Affiliated Water billing

The direct labour for water related activities that were recovered 100% from the City of Niagara Falls through Niagara Falls Hydro Services Inc. included half of a billing supervisor, half of a customer service supervisor and the equivalent of 5 unionized FTE's. In 2013, the direct labour including benefits recovered from the affiliate company for water related activities totaled $120K for supervision and $476K for unionized labour.

Allocated Expenses – Affiliated Water Billing

NPEI charged $4.20 per water only bill as an administration fee to cover various allocated expenses. These allocated expenses included 50% of the cost of the printed forms, envelopes and postage as hydro and water billings were on one bill. Also included in the $4.20 per water only bill was one cashier, a portion of the receptionist's time, accounting services, 10% of office supplies, telephone expenses, cash handling, software maintenance and other computer hardware maintenance expenses. The total wages recovered related to the cashier was $75K in 2013 which was included as part of the allocated costs.

Currently, NPEI has three cashier positions, one unionized employee, one non-unionized employee, and one resourced from a third party for temporary services.

As part of the restructuring plan, NPEI currently has 2 billing supervisors and one customer service supervisor. Both billing supervisors have greater than 30 years of service and are expected to retire within the next five years. At this time NPEI's intension is to eliminate only billing supervisor position only replace the second billing supervisor through attrition. Total direct and allocated FTE's excluding supervision, included in water related activities that were recovered in 2013 was 6. Table 4-10 illustrates a comparison of head count in the billing, collections, customer service, reception and cash departments in 2013 and 2015.

Table 4-10 Headcount 2013 vs. 2015 Billing, Customer Service, & Cash

	Head Count 2013	Retirement & Restructure	Head Count 2015
Billing			
Unionized	13	-2	11
	13	-2	11
Customer Service			
Unionized	11	-1	10
	11	-1	10
Cash			
Unionized	1	1	2
Contract	1	-1	0
Third Party	1	-1	0
	3	-1	2
Receptionist			
Unionized	0	1	1
Third party	1	-1	0
	1	0	1
Total	28	-4	24

The receptionist and one cashier were employed as third party contracts and one cashier was a NPEI contract employee. All three contracts will be completed between August 1st and October 31st, 2014. This accounts for the reduction of 3 FTE's. Table 4-10 above shows a reduction in headcount of 4. One billing clerk retired in 2013, this employee was on a medical leave for most of 2013 and was not replaced.

The savings from these three contracts in the 2015 test year are estimated at $119K. NPEI provided notice to its union and unionized staff of the restructuring plan due to the water activities reverting back to the City of Niagara Falls. At this time, two customer service clerks will rotate between reception, cashiering and customer service where training will commence in September 2014. One billing clerk will be moved to customer service in September 2014. There were three cashier positions in 2013 and for 7 months in 2014 and one of these positions was eliminated in August 2014.

As a result the 2015 COS rate application has 50% of a billing supervisor's wages, 50% of a customer service supervisor's wages and 100% of 3.0 unionized FTE's in billing and customer service clerk's wages that were previously recovered 100% from the City of Niagara Falls through the affiliated company Niagara Falls Hydro Services Inc. Through attrition NPEI will reduce the number of FTE's. Currently there are three customer service/billing clerks eligible to retire between the years 2017 and 2020. It is NPEI's plan for these costs to be eliminated by the next COS rate application for NPEI.

NPEI did not allocate any fixed costs such as property taxes, utility expenses, building, computer hardware, building and equipment repairs and maintenance to the water related activities performed on behalf of Niagara Falls Hydro Services.

Corporate Cost Allocation

NPEI does not have any corporate cost allocations.

Attachment 1 of 1

OEB Appendix 2-N

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Appendix 2-N
Shared Services and Corporate Cost Allocation

Year: 2015

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Niagara Peninsula Energy	Peninsula West Services	Year End Accounting	Flat fee	$ 1,000	$ 839
Niagara Peninsula Energy	Peninsula West Power	Year End Accounting	Flat fee	$ 1,000	$ 746
Niagara Peninsula Energy	Peninsula West Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Power	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Services	Bookkeeping/Customer Service	Actual Direct Labour	$ 32,514	$ 32,514
Niagara Peninsula Energy	Niagara Falls Hydro Services	Water Billing, collecting, customer service	Market Price X # Customers	$ -	$ -

Year: 2014

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Niagara Peninsula Energy	Peninsula West Services	Year End Accounting	Flat fee	$ 1,000	$ 811
Niagara Peninsula Energy	Peninsula West Power	Year End Accounting	Flat fee	$ 1,000	$ 720
Niagara Peninsula Energy	Peninsula West Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Power	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Services	Bookkeeping/Customer Service	Actual Direct Labour	$ 31,722	$ 31,722
Niagara Peninsula Energy	Niagara Falls Hydro Services	Water Billing, collecting, customer service	Market Price X # Customers	$ 322,376	$ 296,304

Year: 2013

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Niagara Peninsula Energy	Peninsula West Services	Year End Accounting	Flat fee	$ 1,000	$ 782
Niagara Peninsula Energy	Peninsula West Power	Year End Accounting	Flat fee	$ 1,000	$ 695
Niagara Peninsula Energy	Peninsula West Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Power	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Services	Bookkeeping/Customer Service	Actual Direct Labour	$ 32,239	$ 32,239
Niagara Peninsula Energy	Niagara Falls Hydro Holding	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Niagara Falls Hydro Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Niagara Falls Hydro Services	Water Billing, collecting, customer service	Market Price X # Customers	$ 985,389	$ 841,372

Year: 2012

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Niagara Peninsula Energy	Peninsula West Services	Year End Accounting	Flat fee	$ 1,000	$ 782
Niagara Peninsula Energy	Peninsula West Power	Year End Accounting	Flat fee	$ 1,000	$ 695
Niagara Peninsula Energy	Peninsula West Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Power	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Services	Bookkeeping/Customer Service	Actual Direct Labour	$ 29,610	$ 29,610
Niagara Peninsula Energy	Niagara Falls Hydro Holding	Year End Accounting	Flat fee	$ 1,000	$ 782
Niagara Peninsula Energy	Niagara Falls Hydro Services	Year End Accounting	Flat fee	$ 1,000	$ 695
Niagara Peninsula Energy	Niagara Falls Hydro Holding	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Niagara Falls Hydro Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Niagara Falls Hydro Services	Water Billing, collecting, customer service	Market Price X # Customers	$ 867,067	$ 740,712

Year: 2011

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Niagara Peninsula Energy	Peninsula West Services	Year End Accounting	Flat fee	$ 1,000	$ 782
Niagara Peninsula Energy	Peninsula West Power	Year End Accounting	Flat fee	$ 1,000	$ 695
Niagara Peninsula Energy	Peninsula West Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Power	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Peninsula West Services	Bookkeeping/Customer Service	Actual Direct Labour	$ 34,679	$ 34,679
Niagara Peninsula Energy	Niagara Falls Hydro Holding	Year End Accounting	Flat fee	$ 1,000	$ 782
Niagara Peninsula Energy	Niagara Falls Hydro Services	Year End Accounting	Flat fee	$ 1,000	$ 695
Niagara Peninsula Energy	Niagara Falls Hydro Holding	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Niagara Falls Hydro Services	Insurance	Actual Premium	$ 1,080	$ 1,080
Niagara Peninsula Energy	Niagara Falls Hydro Holding	Property Taxes	Actual Taxes	$ 17,279	$ 17,279
Niagara Peninsula Energy	Niagara Falls Hydro Services	Water Billing, collecting, customer service	Market Price X # Customers	$ 811,759	$ 691,050

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
None	*None*				

Note:

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

Purchase of Non-Affiliate Services

NPEI purchases supplies and services from third parties in order to distribute electricity to its customers. NPEI's materiality threshold illustrated in Exhibit 1 is $146,874. The Table 4-11 below lists NPEI's expenditures on purchased products and services from 2010 to 2013 in excess of $140,000 from any single supplier. While spending projections are not prepared on this basis, NPEI expects its pattern of expenditures to remain generally consistent with recent history, except for any material variances in expenses for Operations, Maintenance and Administration which may arise.

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

Table 4-11 below includes a summary of the nature of the product or service that is purchased as well as the description as to the purchasing methodology used.

NPEI updated its purchasing policy in 2012 where it was reviewed by a third party consultant. NPEI's Board of Directors approved the policy in July 2012 and then NPEI trained all management staff.

A requirement or need begins the purchasing process. For purchases greater than $5,000 a purchase requisition is required except for goods or services detailed on Appendix B of the purchasing policy. Goods or services on Appendix B of the purchasing policy may be exempt from the request for proposal (RFP) and purchase order generation process. All purchases requiring a purchase requisition should have a minimum of 3 quotes obtained if possible. If the purchase is to be sole sourced, documentation is to be provided, see section 29 of the purchasing policy. Section15 through to section 20 of the purchasing policy details the approvals levels for purchases. The purchase requisition, purchase order, and any applicable receiving documentation are match with the invoice in accounting. Accounting staff review the documentation for completeness. NPEI confirms its purchases from non-affiliates are in compliance with its purchasing policy.

Table 4-11 Purchases from Non-Affiliate Services 2010 to 2013

		2010 Non affiliate purchases	
Vendor	Total Amount	Nature of Product/Service	Purchasing Method
Independant Electricity Market Opera	109,590,993	Power	Exempt per Appendix B
Ontario Electricity Financial Corp	11,472,838	Debt Retirement	Exempt per Appendix B
Receiver General of Canada	2,675,706	Payroll remittances	Exempt per Appendix B
KTI Limited	2,659,491	Smart meters	RFP/Quotation
Hydro One	2,231,739	Network & Connection charges	Exempt per Appendix B
Receiver General	2,135,426	HST	Exempt per Appendix B
OMERS	1,146,606	Pension	Exempt per Appendix B
Manulife Financial	939,339	Health & Dental Benefits	RFP/Quotation
GLENRIDGE GAS UTILIZATION INC	781,585	Micro-fit payments	Exempt per Appendix B
Wajax Industries	707,917	Large Vehicle purchase	RFP/Quotation
Moloney Electric	617,668	Transformers	RFP/Quotation
H D Supply Utilities	598,079	Transformers	RFP/Quotation
M3 & W Inc.	589,653	CDM Power Savings Blitz	Exempt per Appendix B
Endura Construction	510,225	Civil Services	RFP/Quotation
Anixter Canada Inc	509,149	Wire	RFP/Quotation
Olameter Inc.	501,732	Smart meter installation	RFP/Quotation
Ministry of Energy&Infrastructure	470,095	Special Purchase Charge	Exempt per Appendix B
S & C Electric Canada Ltd	455,293	Switchgear	RFP/Quotation
G A M S	412,499	Kiosks, Pole Replacements	RFP/Quotation
Postage By Phone System	397,950	Postage	Exempt per Appendix B
Niagara Meter Services Inc.	379,413	Meter Reading	RFP/Quotation
DL HANNON INC	334,766	Pole Replacement, Voltage Conve	RFP/Quotation
Bell Canada	333,564	Telephone, Joint Use Poles, Softw	Exempt per Appendix B
General Cable Company	332,137	Wire	RFP/Quotation
NIAGARA WEST TRANSFORMATION	298,609	Connection fees	Exempt per Appendix B
Westburne Ruddy Electric	293,356	Inventory, ie Duct	RFP/Quotation
Harris Computer Systems	255,594	CIS maintenance	Exempt per Appendix B
Wiens Underground	235,854	Underground installations	RFP/Quotation
Intergraph Canada Ltd.	233,760	GIS software maintence & License	Exempt per Appendix B
Peninsula Video & Sound Inc.	227,007	Locates	Exempt per Appendix B
Utilismart Corporation	225,768	Settlement fees	Exempt per Appendix B
DAVEY TREE EXPERT CO OF CANADA	223,192	Tree Trimming	RFP/Quotation
Posi-Plus Ontario Inc	204,221	Vehicle purchase	RFP/Quotation
Guelph Utility Pole Co. Ltd	197,671	Poles	RFP/Quotation
Ontario Energy Board	190,319	Regulatory expenses	Exempt per Appendix B
Canada Power Products Corp	183,399	Switchgear	RFP/Quotation
Direct Energy	177,044	Prudential refund	Exempt per Appendix B
Minister of Finance	174,619	EHT	Exempt per Appendix B
Nexans	170,511	Wire	RFP/Quotation
Nextec SMS	168,733	Computer Hardware	RFP/Quotation
Bel Volt Sales Limited	161,290	Inventory	RFP/Quotation
COLLECTIVE UTILITY SERV. INC.	156,332	Meter Reading	RFP/Quotation
Mearie Management Inc.	156,037	Training	Exempt per Appendix B

		2011 Non-Affilate Purchases	
Vendor	Total Amount	Nature of Product/Service	Purchasing Method
Independant Electricity Market Operato	115,792,360	Power	Exempt per Appendix B
Ontario Electricity Financial Corp	10,669,720	Debt Retirement	Exempt per Appendix B
Receiver General	4,009,524	HST	Exempt per Appendix B
Receiver General of Canada	2,859,934	Payroll Liabilities	Exempt per Appendix B
Hydro One	2,403,804	Network & Connection Charges	Exempt per Appendix B
OMERS	1,492,441	Pension	Exempt per Appendix B
Manulife Financial	995,899	Health & Dental Benefits	Exempt per Appendix B
GLENRIDGE GAS UTILIZATION INC	905,959	Fit refund	Exempt per Appendix B
G A M S	853,968	Kiosks, Pole Replacments	RFP/Quotation
Moloney Electric	836,070	Transformers	RFP/Quotation
Posi-Plus Ontario Inc	672,054	Vehicle purchase	RFP/Quotation
H D Supply Utilities	647,043	Transformers	RFP/Quotation
Anixter Canada Inc	569,983	Wire	RFP/Quotation
Endura Construction	526,211	Civil Services	RFP/Quotation
The MEARIE Group	520,871	Insurance & Life Insurance	Exempt per Appendix B
Harris Computer Systems	487,381	CIS maintenance	Exempt per Appendix B
BAYVIEW FLOWERS (JORDAN STATIO	485,647	Fit refund	Exempt per Appendix B
Postage By Phone System	480,463	Postage	Exempt per Appendix B
KTI Limited	442,065	Smart meters	RFP/Quotation
Niagara Meter Services Inc.	394,166	Meter reading	RFP/Quotation
Greely Construction	391,288	Underground civil services	RFP/Quotation
NIAGARA WEST TRANSFORMATION	362,352	Connection fees	Exempt per Appendix B
Nexans	301,874	Wire	RFP/Quotation
DAVEY TREE EXPERT CO OF CANADA	289,624	Tree Trimming	RFP/Quotation
Bell Canada	288,347	Telephone, Joint Use Poles, Software Mtce	Exempt per Appendix B
Nextec SMS	273,505	Computer Hardware	RFP/Quotation
Peninsula Video & Sound Inc.	264,024	Locates	Exempt per Appendix B
Utilismart Corporation	237,598	Settlement fees	Exempt per Appendix B
Bel Volt Sales Limited	220,163	Inventory	RFP/Quotation
CDM Energy Services	219,173	CDM Direct Install Lighting	RFP/Quotation
Guelph Utility Pole Co. Ltd	204,599	Poles	RFP/Quotation
PARK ROAD POWER	200,749	Fit refund	Exempt per Appendix B
Wiens Underground	199,865	Underground installations	RFP/Quotation
Ontario Energy Board	199,265	Regulatory expenses	Exempt per Appendix B
Minister of Finance	193,874	EHT	Exempt per Appendix B
Westburne Ruddy Electric	190,417	Inventory	RFP/Quotation
General Cable Company	179,888	Wire	RFP/Quotation
Superior Broiler Works & Welding Ltd.	179,783	CDM Lighting Incentive	Exempt per Appendix B
Intergraph Canada Ltd.	177,826	GIS maintenance & License fees	Exempt per Appendix B
Avertex Utility Solutions	174,262	Campden Distribution Station	RFP/Quotation
Ogilvy Renault LLP	167,381	Legal fees	Exempt per Appendix B
StressCrete Group	166,408	Poles	RFP/Quotation
Lippert & Wright Fuels	153,830	Fuel	RFP/Quotation
RVL Contracting Inc	148,989	Refund Capital Contribution	Exempt per Appendix B
S & C Electric Canada Ltd	144,512	Switchgear	RFP/Quotation

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		2012 Non-Affilate Purchases	
Vendor	Total Amount	Nature of Product/Service	Purchasing Method
Independant Electricity Market Operator	111,338,611	Power	Exempt per Appendix B
Ontario Electricity Financial Corp	9,763,363	Debt Retirement	Exempt per Appendix B
Receiver General	4,469,339	HST	Exempt per Appendix B
Receiver General of Canada	2,899,061	Payroll liabilities	Exempt per Appendix B
Hydro One	2,560,725	Network & Connection fees	Exempt per Appendix B
OMERS	2,042,728	Pension	Exempt per Appendix B
Manulife Financial	959,147	Health & Dental Benefits	Exempt per Appendix B
GLENRIDGE GAS UTILIZATION INC	887,043	Fit Refunds	Exempt per Appendix B
Elster Metering	839,998	Smart meters	RFP/Quotation
H D Supply Utilities	733,291	Transfomers	RFP/Quotation
G A M S	687,986	Kiosks, Pole Replacements	RFP/Quotation
Moloney Electric	558,222	Transfomers	RFP/Quotation
Endura Construction	528,184	Civil Services	RFP/Quotation
Postage By Phone System	491,550	Postage	Exempt per Appendix B
NIAGARA WEST TRANSFORMATION	361,971	Connection fees	Exempt per Appendix B
The Mearie Group	356,110	Insurance, Life Insurance	Exempt per Appendix B
BAYVIEW FLOWERS (JORDAN STATIO	353,767	Fit Refunds	Exempt per Appendix B
CDM Energy Services	339,437	CDM Direct Install Lighting	Exempt per Appendix B
Harris Computer Systems	339,203	CIS maintenance	Exempt per Appendix B
PARK ROAD POWER	322,419	Fit Refunds	Exempt per Appendix B
Niagara Meter Services Inc.	321,547	Meter reading	Exempt per Appendix B
Nextec SMS	313,452	Computer Hardware	RFP/Quotation
Peninsula Video & Sound Inc.	291,485	Locates	Exempt per Appendix B
Posi-Plus Ontario Inc	283,909	Vehicle purchases	RFP/Quotation
UTILITY SCANNING SOLUTIONS LTD	280,465	Pole testing program	RFP/Quotation
Noramco Wire & Cable	273,941	Wire	RFP/Quotation
Nexans	271,427	Wire	RFP/Quotation
Bell Canada	256,221	Telephone, Joint Pole Use, Software Mtce	Exempt per Appendix B
1825059 ONTARIO LTD	254,006	Fit Refunds	Exempt per Appendix B
Utilismart Corporation	240,778	Settlement fees	Exempt per Appendix B
DAVEY TREE EXPERT CO OF CANADA	234,626	Tree Trimming	RFP/Quotation
Township of West Lincoln	221,470	Property Taxes	Exempt per Appendix B
Minister of Finance	202,492	EHT	Exempt per Appendix B
Bel Volt Sales Limited	192,059	Inventory	RFP/Quotation
Electrical Cable Supply Ltd	190,234	Wire	RFP/Quotation
Ontario Energy Board	185,742	Regulatory expenses	Exempt per Appendix B
Grimsby Utility Construction Inc.	179,568	Transformer Oil Containment	RFP/Quotation
Guelph Utility Pole Co. Ltd	173,879	Poles	RFP/Quotation
Just Energy	167,369	Retailer settlements	Exempt per Appendix B
Intergraph Canada Ltd.	166,051	GIS maintenance & Licenses	Exempt per Appendix B
General Cable Company	165,010	Wire	RFP/Quotation
DUNDAS POWER LINE LTD	158,666	Pole replacements	RFP/Quotation
Wiens Underground	146,931	Underground Installations	RFP/Quotation
Dunsmore Law	144,747	Legal fees	Exempt per Appendix B

		2013 Non-Affilate Purchases	
Vendor	Total Amount	Nature of Product/Service	Purchasing Method
Independant Electricity Market Operator	128,332,195.44	Power	Exempt per Appendix B
Ontario Electricity Financial Corp	9,288,689.97	Debt Retirement	Exempt per Appendix B
Receiver General	3,191,338.63	HST	Exempt per Appendix B
Receiver General of Canada	3,136,669.77	Payroll Liabilities	Exempt per Appendix B
Hydro One	3,055,799.26	Network & Connection fees	Exempt per Appendix B
OMERS	2,140,922.37	Pension	Exempt per Appendix B
Just Energy	1,779,799.45	Retailer settlements	Exempt per Appendix B
NIAGARA WEST TRANSFORMATION	1,401,100.02	Connection fees	Exempt per Appendix B
Posi-Plus Ontario Inc	1,148,344.82	Vehicle purchases	RFP/Quotation
The Mearie Group	967,580.26	Health & Dental Benefits, Insurance, Life Insurance	RFP/Quotation
Newman Brothers Ltd.	953,693.96	Wire Building	RFP/Quotation
GLENRIDGE GAS UTILIZATION INC	929,012.96	Fit refund	Exempt per Appendix B
Endura Construction	736,650.68	Civil Services	RFP/Quotation
Moloney Electric	719,889.11	Transformers	RFP/Quotation
H D Supply Utilities	672,933.12	Transformers	RFP/Quotation
O'Hara Trucking & Excavating	667,356.23	Excavation of yard	RFP/Quotation
G A M S	648,131.84	Kiosks, Pole Replacements	RFP/Quotation
Constellation New Energy	552,063.57	Retailer settlements	Exempt per Appendix B
Postage By Phone System	519,800.00	Postage	Exempt per Appendix B
Nexans	491,810.74	Wire	RFP/Quotation
Harris Computer Systems	425,579.98	CIS Maintenance	Exempt per Appendix B
BAYVIEW FLOWERS (JORDAN STATIO	417,760.91	Fit refund	Exempt per Appendix B
Direct Energy Marketing Ltd.	406,803.43	Retailer settlements	Exempt per Appendix B
Wajax Equipment	398,231.07	Vehicle purchases	RFP/Quotation
S & C Electric Canada Ltd	372,264.03	Switchgear	RFP/Quotation
Summitt Energy Management Inc.	332,632.43	Retailer settlements	Exempt per Appendix B
UTILITY SCANNING SOLUTIONS LTD	325,830.04	Pole Testing, PCB Testing	RFP/Quotation
Anixter Canada Inc	313,769.40	Wire	RFP/Quotation
Niagara Meter Services Inc.	307,644.40	Meter Reading	Exempt per Appendix B
PARK ROAD POWER	293,200.94	Fit refund	Exempt per Appendix B
Sonepar Canada	277,651.76	CDM services	Exempt per Appendix B
Gales Fuels	266,732.71	Fuel	RFP/Quotation
Wajax Industries	266,591.91	Vehicle purchases	RFP/Quotation
Peninsula Video & Sound Inc.	260,856.95	Locates	Exempt per Appendix B
Utilismart Corporation	245,373.85	Settlement fees	Exempt per Appendix B
Siemens Canada Ltd.	229,030.48	Wi-max project	RFP/Quotation
1825059 ONTARIO LTD	220,341.54	Fit refund	Exempt per Appendix B
Base Mechanical Inc.	219,156.16	Engineering Consulting	RFP/Quotation
Minister of Finance	212,816.11	EHT	Exempt per Appendix B
HY Grade Precast Concrete	207,605.86	Pole Bunks	RFP/Quotation
Shadow Graphic	201,874.13	CDM Marketing	RFP/Quotation
Frank Agnes Lee	192,900.06	Hydro overpayment refund	Exempt per Appendix B
Anderson's Electronics Inc	189,020.67	Wi-max project	RFP/Quotation
Guelph Utility Pole Co. Ltd	185,982.18	Poles	RFP/Quotation
ABB Inc.	177,833.75	Transformers	RFP/Quotation
Bell Canada	173,990.60	Telephone, Joint Use Poles, Software Maintenance	Exempt per Appendix B
Ontario Energy Board	173,177.30	Regulatory Expenses	Exempt per Appendix B
Asplundh Canada Inc.	169,760.42	Tree Trimming	RFP/Quotation
T.R. Hinan Contractors Inc.	169,669.73	Administration Building Renova	RFP/Quotation
Brock Ford Sales Inc.	169,258.90	Vehicle purchases	RFP/Quotation
Manulife Financial	168,297.94	Health & Dental Benefits	RFP/Quotation
BAYVIEW FLOWERS	168,211.93	Fit refund	Exempt per Appendix B
Laprairie Inc.	162,700.98	Inventory	RFP/Quotation
Noramco Wire & Cable	160,237.53	Wire	RFP/Quotation
Wiens Underground	159,295.07	Underground installation servic	RFP/Quotation
DAVEY TREE EXPERT CO OF CANADA	158,553.94	Tree Trimming	RFP/Quotation
Intergraph Canada Ltd.	157,547.80	GIS Maintenance & Licenses	Exempt per Appendix B
Archer Truck Services	147,202.41	Vehicle purchases	RFP/Quotation
Bel Volt Sales Limited	145,371.43	Inventory	RFP/Quotation
Badger Daylighting LP	140,848.27	Hydrovac services	RFP/Quotation

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Attachment 1 of 1

NPEI's Purchasing Policy

PURCHASING

NPE-F-200

Table of Contents

1. Corporate Statement for Purchasing

Niagara Peninsula Energy Inc. will maintain an open and competitive process with respect to the purchase of goods and services. We will actively investigate new sources and methods of procurement to provide the most effective and efficient products and services that comply with ESA and other applicable regulatory agencies. We will also pursue beneficial cooperative purchasing with other utilities, the local municipalities and the Municipal Niagara Region.

2. Goals and Objectives for Departments

To direct their activities towards the corporate statement, the goals and objectives of all departments in the purchasing of goods and services are as follows:

- provide clear, objective and approved specifications for all significant purchases,
- assist in identifying potential sources for purchases,
- develop and maintain reliable sources of supply,
- obtain a minimum of three competitive bids where possible and practical,
- negotiate major contracts,
- recommend sole source justification in accordance with the policies,
- select successful bidders and suppliers based on written quotations, bids and proposals,
- designate persons authorized to approve expenditures and their expenditure limits within their department,
- review purchases upon delivery to ensure compliance with specifications,
- comply with the approved purchasing policies and procedures of the corporation,
- ensure the timely and efficient procurement of quality goods and services for the needs of the corporation,
- create and ensure standards of quality, safety and compatibility in the procurement of goods and services,
- standardize to reduce the kinds of goods used by the corporation to the smallest number practical to meet the needs of the departments,

- use the concepts of lowest overall cost (material and labour) and lowest life cycle cost when purchasing products and services

3. Definitions

"Goods and services" shall include all supplies, materials, equipment, major tools, general maintenance and service contracts, subscriptions, publications, consultants' services, and construction contracts and shall not include the purchase or sale of land or buildings.

"Value" of a lease or rental shall be determined by multiplying the monthly payment by the number of months contained in the lease.

"Purchase Requisition" is a written request for goods or services purchased. It is prepared by the department head or manager and is sent to the Company's Purchasing department. The Purchase requisition should include item description, specifications, quantity, general ledger account number, work request number, project number and details and supporting documentation if sole source procurement is being used.

"Purchase Order" is a buyer generated document that authorizes a purchase transaction. When accepted by the seller, it becomes a contract binding on both parties. A purchase order sets forth the descriptions, quantities, prices, discounts, payment terms, date of performance or shipment, other associated terms and conditions, and identifies a specific seller. A purchase order may only be issued by the Company's Purchasing Manager, Controller of Vice President of Finance.

"Request for Proposal": A request for proposal (RFP) is an invitation for suppliers, through a bidding process, to submit a proposal on a specific commodity or service. It is a process in which the issuing authority surveys vendors to solicit competitive bids on products and services. An RFP should include information about the company and project as well as questions that elicit differences among competing companies. An RFP should also solicit cost quotes that allow for the determination of both initial and ongoing costs of the product or service. The information requested includes Pricing, Basic corporate information and history, Financial information, Technical capability, Product information such as stock availability and estimated completion period or delivery date, Customer references that can be checked to determine a company's suitability.

"Non-Inventory Goods" is a product that is purchased or sold but whose quantity is not tracked. A non-inventory purchase may also include services.

4. Environmentally Sound Procurement Policy

Wherever we can influence the life cycle of goods and services, departments shall apply the reduce, reuse, recycle and recover methodology, to reduce our environmental impact.

5. Responsibility

Purchasing Department representatives or departmental purchasing authorities.

6. Requirements

ISO 9001:2008, Clause 7.4 Purchasing

7. Reference

NPE-F-201 Records Management
NPE-OP-201 Corrective/Preventive Action and Continual Improvement

8. Review of Needs Prior to Sourcing Goods and Services

It is the policy of Niagara Peninsula Energy Inc. to ensure that:

Specifications are available and identified prior to a purchase being made;
Purchase orders and purchase order changes are processed by the Purchasing Department or departmental purchasing authority;
Purchase orders are awarded only to approved suppliers;
Purchases conform to specified requirements.

a) Requirement Assessment

Prior to purchase, product/service requirements are determined and specified on the **Purchase Requisition.** Requisitioners assess requirements with consideration to the following:

Product reliability;
Longevity;
Past history of product/service (as indicated by previous performance, noncompliances or feedback from users or other corporations);
Price;
Quality;
Inherent safety features;
Data or information provided by their supervisor and/or a health & safety representative regarding product/service health & safety concerns or requirements;

Product replacement parts should be equivalent or superior in quality to those of the OEM (Original Equipment Manufacturer).

b) CSA Standards

Niagara Peninsula Energy adheres to the standards set forth by the CSA in reference to any and all materials that we, as a company, purchase and issue for use and protection in our electrical distribution system.

9. Personal Protective Equipment (PPE) and Certified Equipment

Niagara Peninsula Energy is dedicated to providing maximum protection for our employees in the working environment. Our company purchases, and will only purchase, certified safety equipment that meets the standards of our governing authority. Suppliers are required to submit CSA or equivalent standard codes, or related information on each product that assures they meet the requirements set forth by our governing authority. Products and/or equipment that DO NOT meet, or are in question, are immediately quarantined for either disposal, or decision from our governing authority if use can be continued.

10. Evaluation and Selection of Suppliers

Suppliers are evaluated and selected by one or more of the criteria described below. Product and/or service applications often dictate that multiple selection criteria be met by the potential supplier. Circumstances and individual department requirements may apply additional selection criteria as indicated in applicable departmental manuals.

The organization controls any suppliers procured for outsourcing by imposing on them the same requirements that the organization itself must fulfill.

Supplier evaluation results and subsequent actions are documented. Records of assessment are created prior to addition of the supplier to the Approved Supplier Inventory and prior to placing an order.

a) Performance Based

Suppliers of products and services may be approved on the basis of their previous delivery and quality performance.

b) Vendors of Record

The Corporation maintains a listing of Vendors of Record that have met specific qualifications. This list is reviewed at least annually and is maintained by the purchasing department. See Appendix A for criteria, terms and conditions for Vendors of Record.

c) Supplier Audits

The Purchasing Department representatives or departmental purchasing authorities may audit suppliers. The audit's purpose is to ensure that the supplier's manufacturing, quality and health & safety practices satisfy the organization's requirements.

Survey audit reports are prepared and retained on file.

d) Review of Supplier Data

The organization may approve a supplier based upon a review of the supplier product technical data, contract terms and conditions, published information, or through discussions with customer references provided by the supplier.

e) Client-Specified Supplier Requirements

The organization may use suppliers specified by their clients as long as the products do not contravene statutory or regulatory requirements.

Departmental purchasing authorities or Purchasing Department representatives normally perform the assessment of suppliers. Input from other organizational personnel is obtained as required. Records of the assessments are produced. Individual departments maintain records of supplier assessment along with other supplier performance information.

f) Approved Supplier Inventory

An Approved Supplier Inventory is maintained by the Purchasing Department for use in purchasing products and services for the organization.

g) New Suppliers

The addition of new suppliers, and removal of existing suppliers, is authorized by the Finance Department with input provided by the Purchasing Manager. When consulting and auditing organizations are being assessed, the Management Representative participates and has the final authority for the approval.

Applicable purchasing departmental authorities notify the Purchasing Department of additions to the Approved Supplier Inventory.

11. Inventory Review

The Approved Supplier Inventory is reviewed and updated annually as a minimum. Each department notifies the Purchasing Department of any additions or modifications to the Inventory in order to maintain its master list of approved suppliers.

With input from each department, the Purchasing Department and/or the Quality Assurance Representative monitor supplier nonconformances and limitations, and as necessary, initiates appropriate action with identified suppliers.

Suppliers failing to provide acceptable product or services are removed from the Approved Suppliers Inventory.

12. Nonconforming Products

Each department monitors its nonconformances on a regular basis and nonconformances or limitations (particularly numerous ones) related to purchased product or service are communicated to Purchasing through the CPI process in accordance with Corrective/Preventive Action and Continual Improvement, NPE-OP-201.

Following evaluation of this data, the Approved Supplier's Inventory is reviewed and updated as necessary.

13. Purchasing Process

Purchasing activities are conducted in accordance with purchasing practices established by the organization. Departmental Manuals may have extra requirements to meet their specific needs. The purchasing process includes the following phases and inputs as identified in figure 1 below.

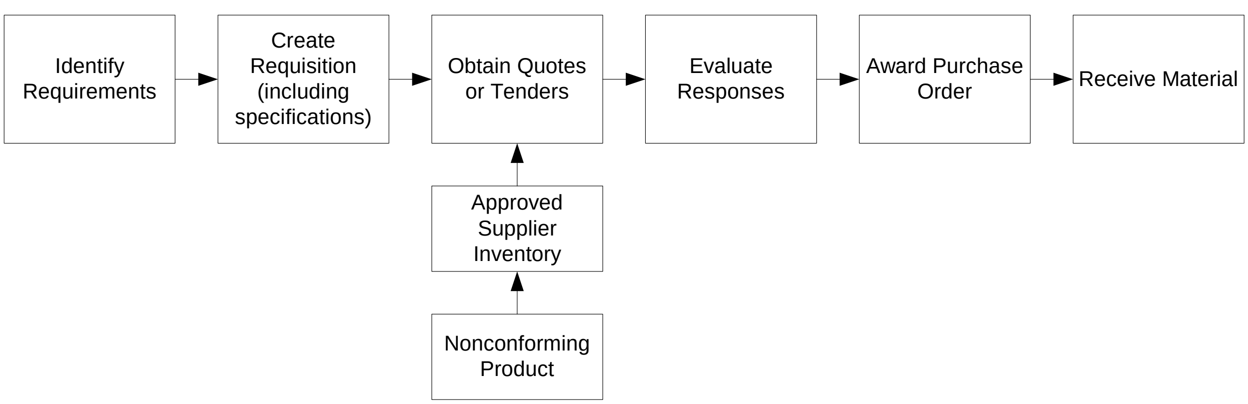

Figure 1, Purchasing Process

Departmental authorities identify their purchasing needs.

14. Purchase Requisition and Purchase Order

A purchase requisition is required for purchases of goods or services > $5,000 except for expenditures identified in Appendix B. The exceptions can be signed by the President/CEO and designate.

The purchase requisition starts the procurement process and is used to acquire materials, supplies, equipment or services.

The requisitioning department is responsible for providing all supporting documents such as specifications, sole source justification, a complete G/L number, work request number, project number if applicable and appropriate approval(s).

Departments should anticipate their requirements to allow adequate lead-time for request for proposal/quotation, order processing and product delivery. Item descriptions should be complete and accurate to allow buyers to bid the requirements expeditiously.

Once the Purchase requisition is completed and signed off by the appropriate authority and the vendor is selected from the Request for Proposal (RFP) process, if applicable, or quotations if applicable, the Purchasing Manager will prepare and issue the purchase order. In the absence of the Purchasing Manager the Vice President of Finance or designate may issue the purchase order.

A purchase order is required for all purchase requisitions >$5,000.

The purchasing authority may allow verbal requisitions for routine purchases such as those identified under a blanket purchase order. Verbal orders to the supplier are identified and recorded through the use of a ***Purchase Requisition***, ***Stock Requirements*** form or by equivalent means.

The departmental purchasing authority obtains purchase order numbers or blanket purchase orders from the Purchasing Department and processes the requisitions as appropriate.

The departmental purchasing authority is responsible for ensuring that approval of the supplier and product are obtained prior to making the purchase.

Copies of records created or obtained by the department such as ***Purchase Requisitions*** or receiving documentation such as packing slips and Bills of Lading are approved by department management and forwarded to the Purchasing Department.

15. Budgeted Purchases Authority

Purchases must be provided for in the budget of the current year and adhere to the following schedule of approvals of purchase requisitions:

- up to $1,000 by Supervisors
- up to $5,000 by Directors, Managers, and Line Superintendent
- up to $100,000 by Vice Presidents,
- in excess of $100,000 the Vice President of Finance AND the President/CEO must provide approval in addition to the Vice President of the requisitioning department,
- in excess of $1 million the Board of Directors must provide approval
- any computer hardware or software that is part of the corporate information systems, must be approved by the Vice President of Information Services in addition to the schedule above. The Vice President of Information Services shall be consulted and must approve software systems that integrate data from the corporate information system or feed data into the corporate information system.

- In the event a purchase should cause the budget line item to be overspent by more than 10%, the purchase must be approved by the Vice President of Finance, provided the amount is found elsewhere within the department budget.
- **At least three competitive quotations** should be obtained where the expenditure is to exceed $10,000, except as noted under sole source procurement or under emergency situations written requests for quotation or request for proposal.
- All expenditures in excess of $100,000 will be subject to a sealed request for proposal process whereby the subject requests for proposal will be opened and reviewed by the Purchasing Manager and the Department Vice President.
- No transfers of budget funds from capital expenditures to operating expenses to be undertaken unless approved by the President and the Vice President of Finance. Unusual circumstances will require Board approval.

16. Emergency Purchases

The President/CEO or a Vice President may authorize expenditures in the case of an emergency to restore service or maintain continuity of service to customers. Competitive quotations are not required in this circumstance.

17. Non-Budgeted Purchases

Purchases not provided for in the budget of the current year may be approved jointly by:

- Up to $2,500, the Vice President of Finance and the Manager/Line Superintendent provided the amount is found elsewhere within the global budget.

- > $2,500 and up to $25,000, the Vice President of the requisitioning department and the Vice President of Finance provided the amount is found elsewhere within the global budget. If the funds are not found within the budget the President must approve the purchase.

- > $25,000 and up to $250,000, the Vice President of the requisitioning department and the President/CEO provided the amount is found elsewhere within the global budget. If the funds are not found within the budget, the Board must approve the purchase. If the funds are found within the budget the VP of Finance must approve the purchase as well.

- > $250,000 the Board of Directors must provide approval.

Non budgeted purchases where funds are reallocated in excess of $25,000 will require an information report to the Board.

18. Professional Services

At times the Company will require access to professional services on an intermittent or temporary basis. Professional services consist of specialized intellectual or creative expertise based on personal skills or ideas of an individual(s) that are provided for a fee, which may be determined individually within each customer for each service contract. Purchases $50,000 and over, a competitive process (RFP) must be used select a service provider. For purchases under $50,000, the department may request that Purchasing conduct an RFP process or the department may document some other credible basis for contractor selection, basis for pricing and assurance that price is reasonable. See Appendix B for a listing of professional services.

19. Purchase Order Approval Levels for Inventory

The Purchasing Manager is authorized to approve a purchase order for inventory items up to the amount of $100,000 to an individual vendor. An order shall not be split into two separate purchase orders to avoid going to the next level for approval.

The Vice President of Finance, or the Vice President of Operations, or the Vice President of Engineering, or the President must approve purchase orders in excess of $100,000 for inventory items. The Purchasing Manager must co-sign any purchase order in excess of $100,000 to ensure the purchase is in compliance with the purchasing policy.

Inventory levels are to be maintained at the lowest possible level to reduce stock on hand, yet still meet the needs of the Corporation to have material on hand when required.

A purchase order is required for all inventory purchases.

20. Purchase Order Approval Levels for Non-inventory Goods & Services

The Purchasing Manager is authorized to approve a purchase order for non-inventory items up to the amount of $100,000 to an individual vendor. (An order shall not be split into two separate purchase orders to avoid going to the next level for approval). The Vice President of Finance, or the Vice President of Operations, or the Vice President of Engineering, or the President must approve purchase orders in excess of $100,000 for non-inventory items, providing that they have not originated or approved the requisition and the good or service has been budgeted for.

21. Purchases when only one Bid/Quotation is Received

When only one bid is received on a Request for Proposal (RFP), a decision will be made by the Vice President of the department involved, the Vice President of Finance or the President/CEO as to whether the bid shall be opened or returned to the bidder unopened. The Purchasing or user department shall investigate the rationale for receiving only one (1) bid. If a new bid call is deemed appropriate, it should be due to a change in the specification, which may have limited bid participation.

22. Written Requests for Quotations/Requests for Proposals

The Purchasing department is responsible for obtaining all written quotations, issuing all requests for proposals for goods and services other than construction services that are requested by Engineering. Any non-inventory goods over $100,000 and all vehicle purchases shall be subject to request for proposals.

The Purchasing department may, in consultation with the VP of Operations or VP of Engineering, contact other bidders other than the apparent lowest bidder for the purpose of seeking information, conducting interviews or requesting clarification of their submission.

23. Procedure in the calling and opening of sealed requests for proposal

Requests for proposal shall be opened in the presence of three witnesses, who will consist of the President /CEO, Vice-President of Finance, or their designates, and the
Purchasing Manager or his designate. Any other authorized Corporation member desiring to be present at the opening of the requests for proposal may attend.

Prior to the opening of the requests for proposal the Purchasing Manager shall advise the President/CEO and the Vice-President of Finance, or their designates, as to the description of the request for proposal and the time and place of the opening.

Requests for proposal shall state that the requests for proposal will be received not later than 2:00 p.m., local time on a specified day.

The Purchasing Manager shall not reveal pricing information pertaining to sealed requests for proposals and quotations, to any of the bidders concerned. Provided, however, that if any bidder deems it desirable to do so, he may apply to the President/CEO, who may order that such pricing information be revealed to him.

The Board of Directors will pre-authorize requests for proposals for any major capital project which is not considered part of the normal operations of the Corporation, i.e., Office Buildings, etc.

24. Awarding of Requests for Proposal

The awarding of the requests for proposal will be in favour of a bidder meeting specifications, terms and conditions of the request for proposal and whose request for proposal offers the lowest ultimate cost to the Corporation for the goods, equipment or services with due consideration of the importance of delivery, quality, service and price.
The Corporation reserves the right to reject any, or any part of or all proposals and also reserves the right to award a contract to other than the bidder submitting the lowest total acquisition cost.

25. Confidentiality of Bids/Quotations/Proposals

In accordance with fair and sound business practice, all information supplied by vendors in their bid, quotation or proposal will be held in strict confidence.

26. Late Bids/Quotations/Proposals

Late submissions will not be considered and shall be returned to the Vendor unopened.

27. Errors in Bids/Quotations/Proposals

Vendors are responsible for the accuracy of their quoted prices, in the event of an error between a unit price and its extension, the unit price will govern. Quotations may be amended or withdrawn by the vendor up to the closing date and time. Any amendments or withdrawals shall be in writing by the signing officer of the vendor.

28. Conditions to purchase by negotiations

The Purchasing Manager may, under one of the following conditions, purchase by negotiating with one or more sources or bidders. Under the following cases the requirements for inviting requests for proposal and formal quotations may be waived.

- The goods or services are in short supply due to market conditions and in the judgment of the Purchasing Manager;
- Two or more identical bids have been received;
- All bids received failed to meet the specifications and/or request for proposal terms and conditions and it is impractical to recall requests for proposal or formal quotations;
- Certain professional services which require specialized technical knowledge to ensure compliance with structural, civil, environmental, or other regulatory standards, or which are critical to the Corporation’s information technology support systems.

29. Sole Source Procurement

Sole source items require detailed documentation from the requisitioning department to justify their purchase and to ensure that the cost charged by the vendor is reasonable. Sole Source Suppliers may be used in the following instances:

- When goods and services can be obtained only from one (1) person or firm,
- The expertise of an individual organization or individual is deemed to specifically required by the Corporation,
- When competition is precluded because of the existence of patent rights, copyrights, secret processes, control of raw material or other such conditions,
- When it is the only product or service that has been approved by the Corporation for use in the distribution system,
- When the procurement is for electric power or energy, gas, water or other utility services where it would not be practical to allow a contractor other than the utility company itself to work upon the system,
- When the procurement is for technical services in connection with the assembly, installation or servicing of equipment of a highly technical or specialized nature,

- When the procurement is for parts or components to be used as replacements in support of equipment specifically designed by the manufacturer,

- The contractor is already at work on the site (based on an existing Purchase Order) and it would not be practical to engage another contractor, or

- Specific Health and Safety items as approved by the Manager of Workplace Wellness and Safety.

The President and/or VP Finance must approve all sole sourced procurements. The requisitioning department must prepare an explanatory memorandum for the VP of Finance.

30. Demonstration Equipment and Sample Material

Vendors who supply demonstration equipment or sample material to departments must be advised by the department to provide their own insurance coverage. If the department is interested in purchasing the demonstration equipment or sample material, the standard purchasing and safety procedures must be followed.

31. Approvals for Construction and Alterations to Physical Space

Prior to all requisitions for construction, renovation or alteration to physical space at Corporate facilities all purchases for goods and services require the review of the Department Vice President and final approval by the Vice President responsible for the facility or their designate.

32. Emergency Order

An emergency shall be defined as any situation which, if not corrected immediately, would result in a hazard to persons or property, create improper working conditions could result in damage to buildings or facilities, would result in a violation of law, statute or ordinance established by governmental regulation, or in any other fashion, if not acted upon, would be seriously detrimental to the interest of the Corporation or its customers.

Failure to anticipate a need is not considered a valid emergency. Emergency orders are generally used for extremely urgent repairs.

The President/CEO or a Vice President may authorize any expenditure in the case of an emergency.

If an emergency purchase is made by a department during non business hours, all supporting documentation must be forwarded to the appropriate approval authority the next business day, in order that a Purchase Order, if required, may be issued to the vendor.

33. Processed by Purchasing Department

The Purchasing Department representatives obtain quotations or requests for proposal from approved suppliers. The requisitioner, with input from the Purchasing Department, reviews the responses, decides on the purchases to be made, ensures that selected purchasing options are identified and selects the supplier. Approval of the ***Purchase Requisition*** is obtained from the appropriate approval authority. The Purchasing Manager will issue purchase orders as appropriate and provide a copy of the purchase order to the departmental purchasing authority as appropriate.

Departmental purchasing authorities ensure that selected purchasing options are identified to the Purchasing Department for inclusion on the purchase order or referenced documents. Approval of the ***Purchase Requisition*** is obtained from the appropriate departmental approval authority. The Purchasing Department places the contract award and provides a copy of the purchase order to the departmental purchasing authority.

Notes: The organization does not normally perform product verification at their supplier's premises. Product verification is conducted at the Receiving Inspection stage as defined in applicable departmental Inspection Procedures, Receiving Inspection Lists and Quality Plans. Where product verification is required to be performed at the supplier's premises, the verification will be identified on the purchase order.

Customer verification of subcontracted product will be permitted only where contracted. Verification of product by the customer shall not absolve the organization of the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by the customer.

34. Purchase Order Cancellation or Modification

Changes in a previously issued Purchase Order must be made by a requisition. This does not apply where the goods and services are being provided under a contract that contains provisions for the issuance of change orders in which case the terms of that contract shall govern the process.

The changes may refer to price, quantities, terms and conditions, delivery point, etc.
As a result of these or any other changes, the accounting information may change.
Cancellation of Purchase Order or minor changes must be communicated to purchasing via email or in writing.

A requisition is generated by the requisitioning department with comments explaining the need for the change. For larger contracts or complicated changes a letter or memorandum may need to be sent to Purchasing.

Cancellation or modification of purchase orders may only be made by the Purchasing Manager or Vice President of Finance.

35. Leases/Lease Purchase and Rental Agreement

The policies governing the purchase of goods and services shall also apply to lease and rental agreements. A Corporate Officer must sign all forms of Leases, Lease Purchases or Rental Agreements for the procurement of equipment on behalf of the Corporation.
Regardless of the time period involved in these agreements, a formal Purchase
Order will be issued (except for car rentals when traveling.) Departments should fully describe the equipment to be leased and indicate the proposed term. (i.e. number of months or years).

An analysis will be made to determine the economic soundness of whether the goods should be leased or purchased in cooperation with the Vice President of Finance.

36. Terms and Conditions

Terms and conditions governing the purchase of goods and services are printed on the Corporation's Purchase Order that is sent to vendors. When a separate contract is required a copy of the contract must be sent to Purchasing (either hard copy or electronically) in order for the requisition to be processed into a purchase order.
Multiple requisitions against one contract will not require subsequent copies of the contract.

37. Computer Equipment and Software

Departments requiring the acquisition of computer and peripheral computer equipment and software shall contact the Information Services Department (IS) for instruction, research, assistance in system configuration and approval. IS shall prepare the appropriate specifications for use in obtaining competitive pricing.

38. Receipt of Goods and Services

Verification and processing of shipments from vendors and the receipt of proper documentation such as freight bills, bills of lading, packing slips containing the purchase order number, shipping orders or other documentation are the responsibility of the department receiving the goods.

Services from contractors or vendors shall be verified and processed by the department responsible for the service.

Copies of records obtained by the department during receiving are signed by department management and forwarded to the Purchasing Department.

Records created or received during the activities of this process are filed and maintained in accordance with *Records Managemen*t, NPE-F-201.

39. Damages, Shortages, Mistakes in Shipping

In the case of visible damage or shortage of goods received a written notation must be made on the carrier's delivery receipt **at time of delivery**. A copy of this delivery receipt shall be directed to the Purchasing Manager for follow up with the vendor.

In case of concealed damage or shortage of shipment, the goods should be set aside and a written notation concerning the damage/shortage made on the packing slip and **reported immediately to the Purchasing Department,** including 'the following details:
Purchase Order number, date, vendor and extent of damage or shortage. Claims to vendors must be filed immediately. Failure to comply may result in the claim being denied.

40. Local Preference

The Corporation will award proposals for goods and services by giving preference to vendors located in the regions where the Corporation serves its customers, when in all other respects, proposals are equal and there is no material difference in cost.

41. Conflicts of Interest

Acquisitions from a business in which an employee or family member has an interest, is prohibited unless full disclosure of the background facts are presented in writing to the Vice President of Finance.

42. Code of Conduct for Corporation Employees

Niagara Peninsula Energy Inc. employment policies outline a code of conduct that applies to all employees and their business relations with individuals and organizations that conduct business with the Corporation.

43. Confidentiality and Right to Audit

All contracts for goods and services in which the contractor will or may have access to confidential information shall contain the Corporation's confidentiality and right to audit clauses. (Privacy Policy of the Corporation)

44. Personal Purchases by Employees

Pricing arrangements negotiated by the Corporation may be made available to employees of the corporation at the discretion of a Corporate Officer. However, any such purchase by staff shall be invoiced directly to the staff member. No personal purchases made by an employee shall be included on any invoice to the Corporation regardless of whether the employee reimburses the Corporation for the cost.

45. Charge Accounts

No credit card or charge accounts, other than those sponsored by the Corporation (e.g., the Visa Purchasing Card) can be opened.

46. Purchasing of Goods and Services from Employees

NPEI will not purchase goods and services from an employee, retiree, or member of the Board.

47. Stock Audit

A physical inventory of stock items shall be taken annually in the last quarter of each year. The Purchasing Manager, Controller and will organize and arrange these stock audits and prepare a reconciliation report for the Vice-President of Finance.

The Purchasing Manager and Store keeper will periodically perform a physical count of inventory goods. Excess or surplus inventory goods may be transferred or otherwise disposed of with the approval of the Vice President of Finance.

48. Purchasing Hazardous Materials

a) Ordering Procedure

Make a note of supervisor requesting product and location(s) in the plant where product will be used.

Check the M.S.D.S. binders to see if product is presently on-site. If product is on-site and there is a current M.S.D.S (within the last 3 years) available - Go to Purchasing Procedure.

If product IS NOT on-site presently:

- Contact the supplier and ask if the product is a WHMIS controlled substance.
- If the product is WHMIS controlled ask the supplier to tell you which WHMIS classifications the product is controlled under.

- Request that the supplier provide a copy of the M.S.D.S.
- Produce copies of the M.S.D.S. for the order originating supervisor, supervisors in other locations where product will be used and for the receiving supervisor. These copies will be employed by the supervisors to make their employees aware of the products hazard before it arrives on-site.
- Specific Personal Protective Equipment to suit the products hazards will be ordered and received on-site before the arrival of the product.

b) Purchasing Procedure

When placing an order for a product presently on-site:

Notify the supplier that the product will be returned if it is not labelled according to WHMIS legislation.

When placing an order for a controlled product which is not presently on-site:

Request that the supplier forward a current M.S.D.S. with the shipment.
Notify the supplier that the product will be returned if it is not labelled according to WHMIS legislation.

Upon receipt of the M.S.D.S. and the product, purchasing will produce copies of the Data Sheet and distribute them for inclusion in the appropriate M.S.D.S. binders.

c) Receiving Procedure

Supervisor will review with all appropriate receiving personnel, the M.S.D.S., which arrived electronically from the supplier.
Receiving personnel will check all products entering the site, to ensure that WHMIS labels are affixed and that an M.S.D.S. has arrived with the order.
Receiving personnel will return unlabelled products and products not accompanied by an M.S.D.S. to the supplier.
Receiving will be responsible for affixing WHMIS labels to controlled products they accept, which are not labelled properly from the supplier.

d) Training Procedure

The order originating supervisor will review the products hazards with their employees, using the supplied M.S.D.S. as a guide, before the product arrives on-site.
Other supervisors, who will have the product in their areas, will review the supplied M.S.D.S. with their personnel, before the product enters the area.
The receiving supervisor will review the M.S.D.S. with his personnel before the product arrives on-site and before his employees make initial contact with the product.

Training records shall be forwarded to Human Resources in a timely manor.

e) Personal Protective Equipment (PPE) Procedure

Personal Protective Equipment requirements for hazardous materials will be developed jointly by Purchasing and the Joint Health & Safety Committee.

Specific personal protective equipment for each hazardous material will be ordered by Purchasing and received and distributed by Receiving before the product(s) arrive on-site.

Employees who will be working in proximity to a hazardous material, will be trained, by their respective supervisor in the use, care and cleaning of Personal Protective Equipment required in their workplace.

49. Records/Forms

i) ***Purchase Requisition***
ii) ***Stock Requirements*** form
iii) Quotes/Request for Proposal
iv) Correspondence
v) Purchase Orders and Order Changes
vi) Training Records

APPENDIX A

Qualifications for High Voltage Overhead Construction Approved Contractor

1. Provide a copy of your Health & Safety Policy
2. Provide a copy of your verification of I.H.S.A.. membership in good standing
3. Acknowledgement of the requirement to provide a certificate of insurance naming Niagara Peninsula Energy Inc. as additional insured for $5,000,000 if performing work for NPEI
4. Provide a current Neer or Cad-7 Rating (MAP)
5. Provide a current W.S.I.B. Clearance Certificate (Maintain Bi-Monthly)
6. A complete list of your workers, their competencies and training dates Minimum requirements include:
    1) First Aid, CPR
    2) WHMIS
7. Proof of qualification and training certificates for:
    1) Certified as a Journey person Power Line Worker in Ontario or if under Competent supervision the worker must be registered in the Apprenticeship Training Act and have successfully completed the second year of the Power Line Worker apprenticeship
    2) Work Area Protection
    3) TCP (Traffic Control Person) Training
    4) Utility Work Protection Code Training (2 day course)
8. All courses as given by I.H.S.A.. or an equivalent safety association
9. Certification of Aerial Devices & tested tools and equipment as per overhead specifications
10. A record of inspection for any crane or similar hoisting device that will be used to perform work
11. A copy of CVOR certificates for all vehicles
12. A copy of the workers valid drivers license and certification for operating any crane or hoisting device if applicable
13. A copy of Registration of Constructors and Employers Engaged in construction
14. Minimum of two references from customers
15. A contact name and mailing address to which Requests for Proposals can be sent

Qualifications for Pole Testing Approved Contractors

1. Provide a copy of your Health & Safety Policy
2. Acknowledgement of the requirement to provide a certificate of insurance naming Niagara Peninsula Energy Inc. as additional insured for $5,000,000 if performing work for NPEI
3. Provide a current Neer or Cad-7 Rating (MAP)
4. Provide a current W.S.I.B. Clearance Certificate (Maintain Bi-Monthly)
5. A complete list of your workers, their competencies and training dates
6. Minimum requirements include:
   1) First Aid, CPR
   2) WHMIS
7. Proof of qualification and training certificates for the distribution system inspector must have a Journeyman Lineman Trade Certificate or 4 years of verifiable experience as a distribution system inspector
8. Minimum of two references from customers
9. A contact name and mailing address to which Requests for Proposals can be sent

Qualifications for Electricians & Misc. Services Approved Contractors

1. Provide a copy of your Health and Safety Policy.
2. Acknowledgement of the requirement to provide a certificate of insurance naming Niagara Peninsula Energy Inc. as additional insured for $5,000,000 if performing work for NPEI
3. Provide a current Neer or Cad-7 Rating (Accident Frequency Record)
4. Provide a current W.S.I.B. Clearance Certificate (to be maintained every 2 months)
5. A complete list of your workers, their competencies and training dates Minimum requirements include:
   1) First Aid, CPR
   2) WHMIS
6. All courses as given by I.H.S.A.. or an equivalent Safety Association
7. Minimum of two references from customers
8. A contact name and mailing address to which Requests for Proposals can be sent

Qualifications for Tree Trimming Construction Approved Contractor

1. Provide a copy of your Health & Safety Policy
2. Provide a copy of your verification of I.H.S.A.. membership in good standing
3. Acknowledgement of the requirement to provide a certificate of insurance naming Niagara Peninsula Energy Inc. as additional insured for $5,000,000 if performing work for NPEI
4. Provide a current Neer or Cad-7 Rating (or MAP)
5. Provide a current W.S.I.B. Clearance Certificate (every 2 months)
6. A complete list of your workers, their competencies and training dates Minimum Requirements include:
   - First Aid, CPR
   - WHMIS
7. Proof of qualification and training certificates for:
   a. Safety in Line Clearing Operations

   b. Work Area Protection
   c. TCP (Traffic Control Person) Training
   d. Utility Work Protection Code Training (1/2 day course)

8. All courses as given by I.H.S.A.. or endorsed by I.H.S.A.. as an equivalent training course
9. Certification of Aerial Devices & tested tools and equipment as per overhead specifications
10. A Record of Inspection for any crane or similar hoisting device that will be used to perform work
11. A copy of CVOR certificates for all vehicles
12. A copy of the workers valid drivers license and certification for operating any crane or hoisting device if applicable
13. A copy of Registration of Constructors and Employers Engaged in construction
14. Minimum of two references from customers
15. A contact name and mailing address to which Request for Proposals can be sent

Qualifications for Civil Contractors Approved Contractors

1. Provide a copy of your Health and Safety Policy.
2. Provide a copy of your verification of E&USA/IHSA membership or CSAO membership in good standing
3. Acknowledgement of the requirement to provide a certificate of insurance naming Niagara Peninsula Energy Inc. as additional insured for $5,000,000 if performing work for NPEI
4. Provide a current NEER or Cad-7 Rating (Accident Frequency Record)
5. Provide a current W.S.I.B. Clearance Certificate (to be maintained every 2 months)
6. A complete list of your workers, their competencies and training dates.
7. Minimum requirements include:
8. First Aid, CPR
9. WHMIS
10. Proof of qualification and training certificates for:
11. TCP (Traffic Control Person) Training
12. Confined Space
13. All courses as given by E&USA/IHSA or an equivalent Safety Association
14. A record of inspection on any crane or hoisting device that will be used to perform the work
15. A copy of CVOR certificates for all vehicles (including certification for backhoes, trailers, etc.)
16. A copy of the workers valid drivers license and certification for operating any crane or hoisting device if applicable
17. A copy of Registration of Constructors and Employers Engaged in Construction
18. Minimum of two references from customers
19. A contact name and mailing address to which the Request for Proposal can be sent.

Vendors of Record Terms and Conditions

Vendors of record will be assessed on the following:

Product reliability;

Longevity;

Past history of product/service (as indicated by previous performance, noncompliance's or feedback from users or other corporations);

Price;

Quality;

Inherent safety features;

Data or information provided by their supervisor and/or a health & safety representative regarding product/service health & safety concerns or requirements;

Product replacement parts should be equivalent or superior in quality to those of the OEM (Original Equipment Manufacturer).

Delivery performance

References from other corporations

APPENDIX B

Professional Services and Exclusions from Purchase Requisition Process

Professional Services

Legal
Audits
Engineering consulting
Architectural
Equipment specific maintenance
Courier

Exclusions from Purchase Requisition process

Petty Cash
Government Remittances - HST
Regulatory fees/Intervener payments/Cost Awards
Taxes, PILS, & Property taxes
Water payments to City and payments to PWS
Interest on Debt
Dividend payments
CDM and customer refunds
Payroll remittances - WSIB, EHT, Dues, OMERS, Mearie, Manulife, Benevolent fund
Software maintenance fees for GP, Harris and GIS
Mileage, Hotel, Meals, Airfare for employees
Conferences and Seminars
Mandatory training - lineman training, WHIMIS
Postage
Telephone/Fiber services
Meter reading
Fuel
Enbridge Gas
Scada Services
Locates
Professional services
Leap funding/Scholarship payments/sponsorships
Membership fees - Chamber, ESA etc
Load transfers
Safety awards
Answering service

APPROVAL PAGE

This document was approved by the NPEI Finance Committee on May 14, 2012

and the NPEI Board of Directors May 20, 2012.

Approved: ______________________ Date: ____________________

Approved: ______________________ Date: ____________________

Approved: Date:

Approved: ______________________ Date: ____________________

One-time Costs

NPEI is not proposing that one-time costs be covered over the test year and the subsequent IRM term. NPEI does not have any one-time costs at this time.

Regulatory Costs

NPEI proposes to recover in rates $393,250 in one-time regulatory expenses relating to this application over a four year period (i.e. $98,313 per year). Also, NPEI has included ongoing regulatory expenses totaling $182,000 related to the OEB annual assessment and OEB Section 30 Costs (OEB-initiated). In total, NPEI proposes regulatory expenses of $280,313 annually.

NPEI's regulatory on-time costs related to this rate application include:

- Legal costs of $225,000 – includes $200,000 estimate for an oral hearing
- Consultants $115,250 – includes asset condition assessment and chapter 5 filing, and rate application tools
- Intervenor cost awards - $53,000

In order to prepare an application that meets the standard required by the OEB and to ensure its efficient completion so as to continue with execution of day to day operations of NPEI, NPEI has retained consultants with expertise in asset condition assessment. NPEI has also retained an experienced legal counsel familiar with rate making policies and issues in Ontario's electricity industry.

Attachment 1 of 1

OEB Appendix 2-M

File Number:	EB-2014-0096
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Date:	29-Aug-14

Appendix 2-M
Regulatory Cost Schedule

On-Going
One-Time

	Regulatory Cost Category	USoA Account	USoA Account Balance	Ongoing or One-time Cost? [2]	Last Rebasing Year (2011 Board Approved)	Most Current Actuals Year 2013	2014 Bridge Year	Annual % Change	2015 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1	OEB Annual Assessment	5655		On-Going	$ 187,429	$ 166,367	$ 170,000	2.18%	$ 172,000	1.18%
2	OEB Section 30 Costs (Applicant-originated)									
3	OEB Section 30 Costs (OEB-initiated)	5655		On-Going	$ 3,500	$ -	$ 12,868		$ 10,000	-22.29%
4	Expert Witness costs for regulatory matters									
5	Legal costs for regulatory matters	5655		One-Time	$ 50,000	$ 6,306	$ 6,306	0.00%	$ 56,250	792.01%
6	Consultants' costs for regulatory matters	5655		One-Time	$ 20,000	$ 28,324	$ 28,324	0.00%	$ 28,813	1.73%
7	Operating expenses associated with staff resources allocated to regulatory matters									
8	Operating expenses associated with other resources allocated to regulatory matters [1]									
9	Other regulatory agency fees or assessments									
10	Any other costs for regulatory matters (please define)									
11	Intervenor costs	5655		One-Time	$ 7,500	$ 12,501	$ 12,501	0.00%	$ 13,250	5.99%
12	Sub-total - Ongoing Costs [3]		$ -		$ 190,929	$ 166,367	$ 182,868	9.92%	$ 182,000	-0.47%
13	Sub-total - One-time Costs [4]		$ -		$ 77,500	$ 47,131	$ 47,131	0.00%	$ 98,313	108.60%
14	Total		$ -		$ 268,429	$ 213,498	$ 229,999	7.73%	$ 280,313	21.88%

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

		Historical Year(s)	2014 Bridge Year	2015 Test Year	Amortize 4 years
4	Expert Witness costs				
5	Legal costs	25,224	6,306	225,000	56,250
6	Consultants' costs	113,298	28,324	115,250	28,813
7	Incremental operating expenses associated with staff resources allocated to this application.				-
8	Incremental operating expenses associated with other resources allocated to this application. [1]				-
11	Intervenor costs	50,004	12,501	53,000	13,250

Low-income Energy Assitance Programs (LEAP)

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

The delivery of LEAP relies heavily on the cooperation between NPEI and social service agencies. Project Share is the lead agency that administers this program within NPEI's service territory. Project Share administers the program as well as screens and assesses applicants for eligibility. Since 2011, NPEI has contributed to the LEAP-EFA program amounts equal to the Board's recommended contribution (i.e. equal to 0.12% of NPEI's 2011 COS distribution revenue requirement) and has provided amounts of $38,906 in each of the fiscal years 2011, 2012, 2013, and 2014. NPEI plans to continue with this contribution in 2015 with an amount equal to approximately $37,166 or 0.12% of 2015 COS service revenue requirement of $30,971,328 which is detailed in Exhibit 6.

NPEI acknowledges that Account 6205 Donations is generally non-recoverable. However, NPEI has included $37,166 in its 2015TY as the sub account LEAP funding of Account 6205 is generally recoverable.

The test year revenue requirement does not include legacy programs.

Charitable and Political Donations

The amounts paid in charitable donations from the last Board approved rebasing application in 2011 through to 2013 are illustrated in Table 4-12 below. The majority of the payments were made to charitable organizations for the purposes of sponsoring events.

Table 4-12 Payments to Charitable Organizations 2011 to 2013

		2013	2014	2015
Boy's & Girl's Club of Niagara	Hole Sponsor		250	
	Hole sponsorship- golf tourn.	250		
Canadian Deafblind Association -Ontario Chapter	T-shirts for BlueJays game		100	
City of Niagara Falls Board of Museums	Sponsorship July event			500
City of Niagara Falls Museums	Great Niagara Portage		500	
Club Italia	Fashion show tickets			400
	Fashion Show Tickets GNGH	400		
	Fundraiser-Accessible Playgrnd		200	
	GNGH Placement sponsorship		100	
	Spaghetti dinner-placemat ad			25
Community Living	45th annual walk/bike a-thon		200	
	Bike-A-Thon donation	200		
Daval Hospice	Live strong golf tournament			250
Facs Foundation / GALA	Crystal Ball Gala Tickets			1000
Facs Niagara Foundation	Tickets for 13th annual Gala	1,250		
For the Needy, Not the Greedy	Charity Golf Day			500
GNGH Auxiliary	June GNGH hole sponsorship	100		
	Pink ladies golf donation		100	
GNGH Foundation	Chairmans circle fall ball	130		
	GNGH Gala-Program ad			200
	Magic of xmas donation			1000
Great Lakes Christian High School	Donation for capital improvemt	100		
Heart & Stroke Foundation	Aug 9 Big Bike Event donation	100		
Heart Niagara Inc	Konopka heart promotion	1,600		
	Real Gals lunch		250	
	Sponsorship- Sustain Niagara		575	
Jay Shepherd Professional Corporation	Donation for MS Ride		200	
Kiwanis Club of Stamford Inc	Scholorship Donation	100		
Light of Day Foundation Inc	Benefit-Parkinson's Disease		300	
McNally House	Hike for Hospice sponsorship		300	
MS Society	MS bike tour	200		
	MS Bike tour donation			200
Muscular Dystrophy Canada	The Rookie Rooftop Campout			200
Muscular Dystrophy Canada Total				200
Niagara Falls Big Brothers Big Sisters	2011 Tim Horton's Bowl For Kid	800		
	2012 Bowl for kids		200	
	Bowl for Kids Lane sponsor			200
	Feb 2011 bowl for kids	400		
	Golf for kids sake sponsorship		100	
Niagara Falls Rotary Club	Ribfest (10 tickets)	500		
Niagara Health System	Jul WFCC donation- memory of Paul I	100		
Project Share	Candy Cane Ln - 5km & Fun Run	100		
	Tickets(Women who care)	320		
SICK KIDS FOUNDATION	donation		200	
	Southern cruisers ride for kids	200		
Streamline Communications	Cancer Society Donation	300		
The Kidney Foundation of Canada	donation		250	
The Rotary Club of Lincoln	2011 Lamplight Tour	500		
	2012 Lamplight Tour		500	
	Lamplight tour sponsorship			500
The Terry Fox Run	Aug donation-Terry Fox Run	200		
United Way of Niagara Falls	Casino Golf hole sponsorship		100	
	Elimination Draw Tickets	550		
	Elimination Draw Tickets			550
	Golf tournmt hole sponsorship	100		
	Luncheon tickets		1100	1040
	May 25 Lunch tickets	1,280		
	United Way draw tickets		550	
	UW- Poor boy lunch			100
Wellspring Niagara	donation	200		
Women's Place of South Niagara	Strike out violence-dinner			500
Women's Resource Centre	Silver sponsorship- Play area	500		
YWCA Niagara Region	No Fixed address donation			500
Total payments made to Charities		10,480	6,075	7,865

NPEI has estimated payments made to charitable organizations of $46,406 for the 2014 bridge year and $44,966 for the test year. Both years include LEAP funding ($38,906 in 2014 and $37,166 in 2015). NPEI notes that only the LEAP funding required has been included in the calculation of revenue requirement for 2015 as the other donations are not allowable for rate making purposes.

NPEI has not made any political contributions in any of the historical years 2011, 2012 or 2013 and does not have any political contributions in the 2014BY or 2015TY.

File Number: EB-2014-0096

Date Filed: September 23, 2014

Exhibit 4

Tab 4 of 6

Depreciation/Amortization/Depletion

Depreciation/Amortization/Depletion

NPEI's Depreciation Policy is included in E4/T4/S1/Att1. Until the end of 2012, amortization is consistent with Canadian GAAP, the requirements of the CICA, and the requirements of the OEB. It is described in Note 1 to NPEI's audited financial statements (E4/T4/S1/Att1).

Capital assets related to the distribution system, administration building, land rights, and capital contributions are amortized on a straight line basis, applying the half-year rule in the year of addition, over the deemed life of the assets.

Capital assets recorded in general ledger accounts 1915 to 1980 are recorded in a stand-alone fixed asset sub-ledger called Worth-it. The Worth-it software calculated depreciation on individual assets beginning in the first month after the asset is put into service. For example, a truck purchased and received in November would have depreciation calculated from December 1st forward until the asset was fully depreciated.

For 2013, NPEI reviewed all depreciation rates and updated them where appropriate so that they more accurately reflect the useful life of each asset component. The process NPEI followed to determine where new depreciation rates were applicable was to utilize the Board sponsored Kinectrics study as a guide. NPEI engaged a third party consultant, KPMG, to facilitate discussions with the engineering team, operations team, IT department and any other applicable resource with knowledge of the assets and their useful lives in order to determine a reasonable estimate of the true useful lives of the assets of NPEI. The range for asset life expectancy from the Kinectrics report was considered in the discussions, as well as local conditions, experiences with manufacturers, materiality and practices followed by NPEI. NPEI also considered its existing replacement strategy which may include the replacement of many asset components with varying useful lives. In these scenarios, NPEI determined which components would be replaced as a result of an overall project versus its individual useful life and the depreciation rate would be applied accordingly. This accounting policy change related to depreciable assets useful life was approved by NPEI's Finance committee and its Board of Directors in 2013. This accounting policy change was required by the OEB effective January 1, 2013, and was performed under Canadian GAAP accounting policies, and is also consistent with the requirements of IFRS and therefore was a preparatory step toward moving to MIFRS effective January 1, 2015. Due to the transition to MIFRS, NPEI will amortize the opening net book value of assets over their average remaining life in 2015. NPEI confirms that the useful lives for its asset group's fall within the range allowed in the Board sponsored Kinectrics study. NPEI included Appendix 2-BB Service Life Comparison-Table F-1 Kinectrics Report in E4/T4/S1/Att2.

As a result of the useful lives review and componentization discussions, NPEI determined that several sub-accounts were required to be created so as to appropriately calculate depreciation using different useful lives. NPEI reallocated the componentized costs and corresponding accumulated depreciation balances effective January 1, 2013. A summary of this reallocation is shown in E2/T1/S1 as part of the continuity schedules.

NPEI has prepared the following Table 4-13 detailing the remaining life of the opening balance of assets on January 1, 2013, the date of making the depreciation policy changes documented above.

Table 4-13 Average Remaining Useful Life

Account	Description	Opening Cost January 1, 2013	Opening Accum Depreciation January 1, 2013	Opening NBV as at Jan 1, 2013	Average Remaining Life of Opening NBV	Years (new additions only)
1611	Computer Software (Formally known as Account 1925)	2,576,964	(2,210,400)	366,564	1.80	3
1612	Land Rights (Formally known as Account 1906)	1,603,587	(811,064)	792,523	13.88	25
1805	Land	507,273		507,273		0
1808	Buildings	111,638	(111,637)	-	0.00	50
1815	Transformer Station Equipment >50 kV (1708,1740,1745)	3,833,014	(624,673)	3,208,341	41.85	50
1815	Transformer Station Equipment >50 kV (1715, 1815, 17)	1,664,459	(338,401)	1,326,059	34.02	45
1815	Transformer Station Equipment >50 kV (1716)	41,023	(8,501)	32,522	1.45	10
1815	Transformer Station Equipment >50 kV (1717)	533,575	(110,568)	423,007	31.71	40
1815	Transformer Station Equipment >50 kV (1719)	546,195	(113,183)	433,012	14.76	20
1820	Distribution Station Equipment <50 kV	4,570,140	(2,565,267)	2,004,873	23.38	45
1820	Distribution Station Equipment <50 kV (1821)	1,880,385	(730,154)	1,150,232	20.33	30
1830	Poles, Towers & Fixtures-Wood poles	38,635,154	(22,972,377)	15,662,778	42.86	50
1830	Poles, Towers & Fixtures (1831) Concrete	2,918,249	(1,240,865)	1,677,384	52.95	60
1835	Overhead Conductors & Devices	21,817,970	(8,439,271)	13,378,699	23.96	60
1835	Overhead Conductors & Devices (1836)	1,901,699	(217,060)	1,684,638	27.82	15
1835	Overhead Conductors & Devices (1837)	2,501,048	(1,062,068)	1,438,980	0.00	30
1840	Underground Conduit	9,072,907	(2,198,093)	6,874,815	44.26	50
1845	Underground Conductors & Devices	62,805,003	(35,860,059)	26,944,944	16.81	35
1845	Underground Conductors & Devices (1846)	1,884,816	(945,945)	938,871	10.76	30
1850	Line Transformers (1850) Polemount	16,661,723	(13,264,131)	3,397,591	16.34	40
1850	Line Transformers (1853) Padmount	17,225,897	(8,042,465)	9,183,432	20.20	30
1855	Services (Overhead & Underground)	4,629,063	(1,109,783)	3,519,280	19.01	25
1860	Meters	2,645,456	(840,927)	1,804,529	12.82	20
1860	Meters (Smart Meters)	4,175,009	(695,835)	3,479,174	12.50	15
1905	Land	508,970		508,970	0.00	0
1908	Buildings & Fixtures	13,205,846	(2,455,533)	10,750,312	46.34	60
1910	Leasehold Improvements	120,252	(120,252)	-		
1915	Office Furniture & Equipment (10 years)	1,323,139	(851,763)	471,376	6.10	10
1915	Office Furniture & Equipment (5 years)			-		0
1920	Computer Equipment - Hardware	3,133,840	(2,316,189)	817,651	2.96	5
1920	Computer Equip.-Hardware(Post Mar. 22/04)	2,832	(2,832)	-		0
1920	Computer Equip.-Hardware(Post Mar. 19/07)	364,650	(364,650)	-		0
1930	Transportation Equipment (1931)	548,321	(321,096)	227,225	4.13	8
1930	Transportation Equipment (1932) Large Trucks	6,735,905	(4,017,550)	2,718,355	14.61	15
1930	Transportation Equipment (1933) Trailers	320,906	(224,401)	96,506	19.22	20
1935	Stores Equipment	236,414	(196,641)	39,773	7.33	10
1940	Tools, Shop & Garage Equipment	1,871,744	(1,457,230)	414,514	5.82	10
1945	Measurement & Testing Equipment	204,006	(186,619)	17,387	2.32	5
1955	Communications Equipment	502,921	(155,981)	346,940	17.87	20
1960	Miscellaneous Equipment	72,951	(67,314)	5,638	1.70	5
1980	System Supervisor Equipment	128,961	(128,961)	-		
1995	Contributions & Grants	(20,525,491)	5,493,615	(15,031,876)	19.02	25
	Total	**213,498,416**	**(111,886,125)**	**101,612,290**		

Depreciation Appendices

The depreciation appendices attached provide the following data:

- Appendix 2-CF – 2013 CGAAP no policy changes
- Appendix 2-CG – 2013 Revised CGAAP new policy
- Appendix 2-CH – 2014-1 CGAAP no policy changes
- Appendix 2-CH – 2014 -2 Revised CGAAP new policy
- Appendix 2-CI – 2015 MIFRS

Appendices Material Variances

Appendix 2-CF is the calculation of depreciation using the old depreciation deemed useful lives. The spreadsheet 2-CF calculates depreciation expense for 2013 in the amount of $8,260,421. NPEI's actual depreciation expense for 2013 was $8,109,665 used the previous useful lives. The overall variance is $150,756. This is due to two reasons, first, NPEI uses a stand-alone fixed asset software program called Worth-it, that calculates depreciation expense for all general ledger accounts between 1915 and 1980 starting in the first month following the asset being put into service versus spreadsheet 2-CF assumes all assets are purchased January 1st of that year and then the half year rule is applied. The large vehicles that NPEI purchases usually take 11 months to manufacture. As a result the addition is shown in the Additions Column on spreadsheet 2-CF and half a year's depreciation expense is calculated versus NPEI typically receives these vehicles in November or December where the Worth-it program will calculate depreciation starting either December 1st or January 1st depending on the month the asset is put into service. Secondly, NPEI computes depreciation expense for all other capital asset general ledger accounts using Excel. NPEI's depreciation spreadsheets originated from manually kept depreciation ledgers. Some of the early years for accounts 1908, 1945 and 1950 have various depreciation lives. For example, Account 1908 uses 60 years for the additions between the years 1982 to 1990, 50 years for the additions between the years 1991 to 2001 and 60 years for the additions between the 2002 to present. As a result, a variance results between spreadsheet 2-CF calculation of depreciation expense and NPEI's actual excel spreadsheets. The overall difference of $150,756 is immaterial and as such NPEI's depreciation calculation is reasonable.

Appendix 2-CG calculates depreciation expense using the opening NBV after the componentization reallocation entry as of January 1, 2013. Spreadsheet 2-CG calculates depreciation expense for 2013 in the amount of $5,071,283 which is $16,184 higher than NPEI's depreciation expense for 2013. The difference of $7,585 relates to the wire building that NPEI constructed in 2013. Occupancy was granted for this building and it was put into service in late December 2013. NPEI did not calculate any depreciation expense related to this addition in 2013 as the asset was not in service until the end of the fiscal year. The wire building asset cost was $907K which is included in the additions column on spreadsheet 2-CG. The spreadsheet assumes the half year rule for this addition over 60 years which is $7,558 ($907,000 / 60 X 50%). NPEI's depreciation on this asset was nil in 2013 thereby resulting in a difference of $7,558.

Spreadsheet 2-CH-2014-1 calculates depreciation expense using the deemed useful lives for 2014. The overall variance between NPEI's calculation of depreciation expense and the spreadsheet's calculation is ($257,339).

Of this variance, software totals ($186,016) and smart meters total ($129,779). On 2-CH-2014-1 in column (d) Additions, the smart meter balances being transferred to rate base in 2014 are included as additions so as to agree the additions to the continuity schedule 2-BA for 2014.

In the 2014 Depreciation expense column for software NPEI has also included the corresponding software smart meter depreciation in the amount of $206,998 that relates to software depreciation from July 2, 2010 to December 31, 2013. Smart meter expenses including depreciation were transferred to the income statement in 2014. Therefore, the difference excluding smart meter software depreciation related to Account 1556 would be ($206,998 – $186,016 = $20,982). This difference is due to the calculation method used in spreadsheet 2-CH-2014-1 and the Worth-it program used by NPEI.

The variance in smart meters (Account 1860-smart meters) is ($129,779). NPEI has also included $64,841 of smart meter depreciation expense transferred from the regulatory asset account 1556 in the 2014 Depreciation expense column. Excluding this smart meter depreciation expense of $64,841 the variance would be ($64,938).

Total depreciation expense related to smart meters transferred to rate base in 2014 is $273,146. NPEI's 2014 depreciation expense excluding depreciation expense related to the smart meter adjustment in 2014 would be $8,738,777, ($9,011,923 - $273,146). The variance column would be ($15,807) excluding smart meter depreciation related to Account 1556 for 2014.

Appendix 2-CH-2014-2 calculates depreciation expense using the new estimated useful lives for 2014. Spreadsheet 2-CH-2014-2 2014 expense totals $5,376,168. NPEI's 2014 depreciation expense is calculated at $5,678,061 which is a variance of ($301,893). This variance is attributable to NPEI including depreciation for 2014 related to smart meter assets previously recorded in account 1555. NPEI's depreciation expense excluding smart meter depreciation expense transferred from account 1556 would be $5,404,915 ($5,678,061 - $273,146). Excluding this smart meter depreciation expense of $273,146 the variance would be $28,747 (5,376,168 - $5,404,915).

Appendix 2-CI calculated depreciation expense for 2015 under MIFRS. The variance is of $21,518 is not material.

A summary of depreciation expense under the old and new policies as applicable as well as a build-up of variance account 1576 are provided in the Table 4-14 below.

Table 4-14 Depreciation Expense Summaries

		2-BA Continuity	2CF	2CG	2CH 2014-1	2CH 2014-2	2CI	Difference to 1576
2011	Old Policies	7,230,525	Not required					
2012	Old Policies	7,421,271	Not required					
2013	Old Policies	8,109,665	8,109,665					-
2013	New Policies	5,055,098		5,055,098				-
2014	Old Policies	9,011,923			9,011,923			
2014	New Policies	5,678,061				5,678,061		
	2013		8,109,665	5,055,098				3,054,567
	2014				9,011,923	5,678,061		3,333,862
	2015	4,936,879					4,936,879	0
	Account 1576	**Estimated for December 31, 2014**						**6,388,428**

The total closing estimated balance transferred to Account 1576 by the fiscal year-end December 31, 2014 is $6,388,425 which is shown in Appendix 2-EC including in Exhibit 9.

Asset Retirement Obligations

At this time NPEI does not have any asset retirement obligations in the 2014BY or the 2015TY and therefore no associated depreciation.

Attachment 1 of 3

NPEI's Depreciation Policy

1. Significant Accounting Policies - continued

Fixed assets and depreciation

Fixed assets are stated at acquisition cost. Much of the distribution system is constructed by the Company and is capitalized based on actual costs. Depreciation is determined on a straight-line basis with reference to estimated useful lives of the assets.

Asset	Amortization Period
Easements	25 to 40 years
Buildings	60 years
Electricity distribution infrastructure	10 to 60 years
Equipment	3 to 20 years

Inventory

Inventory is valued at the lower of moving average cost and replacement cost. Inventory is comprised mainly of construction and maintenance materials required for the electricity distribution infrastructure.

Ontario municipal employees retirement system

The Corporation makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 130 (2012-121) members of its staff. The plan is a defined benefit plan which specifies the amount for the retirement benefit to be received by the employees based on the length of service and rates of pay. The Corporation records the required contributions as an expense in the period they accrue.

The amount contributed to OMERS for the year ending December 31, 2013 was $1,080,383 (2012 - $930,673) for current service.

Customer deposits

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Corporation. Customer deposits anticipated to be refunded by the Corporation within one year of the Corporation's year end have been shown as current liabilities on the balance sheet.

Employee's accumulated vested sick benefits

Under the sick leave plan unused vested sick leave can accumulate and employees of the company as at April 1, 1987 can request at any time and will receive payment if funds are available as determined by the Corporation. Full provisions for the liability, to the extent that cash payments to employees might be required, have been made in these financial statements.
Employees of the Corporation hired after March 31, 1987 can accumulate unused sick leave but it does not become vested at any time.

Attachment 2 of 3

OEB Appendix 2-BB

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

Parent*	#	Asset Details: Category| Component | Type			Useful Life: MIN UL	TUL	MAX UL	USoA Account Number	USoA Account Description	Current: Years	Current: Rate	Proposed: Years	Proposed: Rate	Outside Range of Min, Max TUL?: Below Min TUL	Above Max TUL
OH	1	Fully Dressed Wood Poles	Overall		35	45	75	1830	Fully Dressed Wood Poles	25	4%	50	2%	No	No
			Cross Arm	Wood	20	40	55								
				Steel	30	70	95								
	2	Fully Dressed Concrete Poles	Overall		50	60	80	1831	Fully Dressed Concrete Poles	25	4%	60	2%	No	No
			Cross Arm	Wood	20	40	55								
				Steel	30	70	95								
	3	Fully Dressed Steel Poles	Overall		60	60	80	1831	Fully Dressed Steel Poles	25	4%	60	2%	No	No
			Cross Arm	Wood	20	40	55								
				Steel	30	70	95								
	4	OH Line Switch			30	45	55								
	5	OH Line Switch Motor			15	25	25	1836	OH Switch - complex (Motor &RTU)	25	4%	15	7%	No	No
	6	OH Line Switch RTU			15	20	20	1836	OH Switch - complex (Motor &RTU)	25	4%	15	7%	No	No
	7	OH Integral Switches			35	45	60								
	8	OH Conductors			50	60	75	1835	OH Conductors & non-complex switches	25	4%	60	2%	No	No
		OH Secondary Conductor			30	40	60	1837	OH secondary conductor	25	4%	30	3%	No	No
	9	OH Transformers & Voltage Regulators			30	40	60	1850	OH Transformers and Voltage Regulator	25	4%	40	3%	No	No
	10	OH Shunt Capacitor Banks			25	30	40								
	11	Reclosers			25	40	55								
TS & MS	12	Power Transformers	Overall		30	45	60	1715	Power Transformer	25	4%	45	2%	No	No
			Bushing		10	20	30								
			Tap Changer		20	30	60								
	12	MS Station - Power Transformers	Overall		30	45	60	1820	Power Transformer	25	4%	45	2%		
			Bushing		10	20	30								
			Tap Changer		20	30	60								
	13	Station Service Transformer			30	45	55								
	14	Station Grounding Transformer			30	40	40								
	15	Station DC System	Overall		10	20	30	1716	Station DC System	25	4%	10	10%	No	No
			Battery Bank		10	15	15								
			Charger		20	20	30								
	16	TS Station - Station Metal Clad Switchgear	Overall		30	40	60	1717	Station Metal Clad Switchgear	25	4%	40	3%		
			Removable Breaker		25	40	60								
	16	Station Metal Clad Switchgear	Overall		30	40	60	1821	Station Metal Clad Switchgear	25	4%	30	3%	No	No
			Removable Breaker		25	40	60								
	17	TS Station - Station Independent Breakers			35	45	65	1718	Station Independent Breakers	25	4%	45	2%		
	17	MS Station - Station Independent Breakers			35	45	65	1821	Station Independent Breakers	25	4%	30	3%		
	18	Station Switch			30	50	60								
	19	Electromechanical Relays			25	35	50	1719	Protection System	25	4%	20	5%	Yes	No
	20	Solid State Relays			10	30	45	1719	Protection System	25	4%	20	5%	No	No
	21	Digital & Numeric Relays			15	20	20	1719	Protection System	25	4%	20	5%	No	No
	22	Rigid Busbars			30	55	60								
	23	Steel Structure			35	50	90								
UG	24	Primary Paper Insulated Lead Covered (PILC) Cables			60	65	75								
	25	Primary Ethylene-Propylene Rubber (EPR) Cables			20	25	25								
	26	Primary Non-Tree Retardant (TR) Cross Linked Polyethylene (XLPE) Cables Direct Buried			20	25	30								
	27	Primary Non-TR XLPE Cables in Duct			20	25	30								
	28	Primary TR XLPE Cables Direct Buried			25	30	35								
	29	Primary TR XLPE Cables in Duct			35	40	55	1845	Primary TR XLPE Cables in Duct	25	4%	35	3%		
	30	Secondary PILC Cables			70	75	80								
	31	Secondary Cables Direct Buried			25	35	40								
	32	Secondary Cables in Duct			35	40	60								
	33	Network Tranformers	Overall		20	35	50								
			Protector		20	35	40								
	34	Pad-Mounted Transformers			25	40	45	1853	Pad-Mounted Transformers & Mini-pads	25	4%	30	3%	No	No
	35	Submersible/Vault Transformers			25	35	45								
	36	UG Foundation			35	55	70	1840	Ducts/Concrete Encased Ducts Banks/Foundations	25	4%	50	2%	No	No
	37	UG Vaults	Overall		40	60	80								
			Roof		20	30	45								
	38	UG Vault Switches			20	35	50	1846	UG Vault Switches & Pad-Mounted Switchgear	25	4%	30	3%	No	No
	39	Pad-Mounted Switchgear			20	30	45	1846	UG Vault Switches & Pad-Mounted Switchgear	25	4%	30	3%	No	No
	40	Ducts			30	50	85	1840	Ducts/Concrete Encased Ducts Banks/Foundations	25	4%	50	2%	No	No
	41	Concrete Encased Duct Banks			35	55	80	1840	Ducts/Concrete Encased Ducts Banks/Foundations	25	4%	50	2%	No	No
	42	Cable Chambers			50	60	80	1840	Ducts/Concrete Encased Ducts Banks/Foundations	25	4%	50	2%	No	No
S	43	Remote SCADA			15	20	30	1955/1980	Remote SCADA/Wi-Max	4	25%	20	5%	No	No

Table F-2 from Kinetrics Report[1]

#	Asset Details: Category| Component | Type		Useful Life Range		USoA Account Number	USoA Account Description	Current: Years	Current: Rate	Proposed: Years	Proposed: Rate	Outside Range of Min, Max TUL?: Below Min Range	Above Max Range
1	Office Equipment		5	15	1915	Office Equipment	10	10%	10	10%	No	No
2	Vehicles	Trucks & Buckets	5	15	1932	Trucks & Buckets	8	13%	15	7%	No	No
		Trailers	5	20	1933	Trailers	8	13%	20	5%	No	No
		Vans	5	10	1931	Vans/Cars	8	13%	8	13%	No	No
3	Administrative Buildings		50	75	1908	Admin Buildings	60	2%	60	2%	No	No
4	Leasehold Improvements		Lease dependent									
5	Station Buildings	Station Buildings	50	75	1820	Station Building	25	4%	60	2%	No	No
		Parking	25	30								
		Fence	25	60								
		Roof	20	30								
6	Computer Equipment	Hardware	3	5	1920	Hardware	5	20%	5	20%	No	No
		Software	2	5	1925	Software	3	33%	3	33%	No	No
7	Equipment	Power Operated	5	10								
		Stores	5	10	1935	Stores	10	10%	10	10%	No	No
		Tools, Shop, Garage Equipment	5	10	1940	Tools	10	10%	10	10%	No	No
		Measurement & Testing Equipment	5	10	1945	Measurement & Testing	5	20%	5	20%	No	No
8	Communication	Towers	60	70								
		Wireless	2	10								
9	Residential Energy Meters		25	35	1860	Meters - non-smart meters	25	4%	20	5%	Yes	No
10	Industrial/Commercial Energy Meters		25	35	1860	Meters - non-smart meters	25	4%	20	5%	Yes	No
11	Wholesale Energy Meters		15	30								
12	Current & Potential Transformer (CT & PT)		35	50								
13	Smart Meters		5	15	1860-01-06	Smart Meters	15	7%	15	7%	No	No
14	Repeaters - Smart Metering		10	15								
15	Data Collectors - Smart Metering		15	20								

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

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

Attachment 3 of 3

Appendices 2-CF, 2-CG, 2-CH-2014-1, 2-CH-2014-2, 2-CI

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Appendix 2-CF
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013 and will adopt IFRS for financial reporting purposes effective January 1, 2015.

Year 2013 Former CGAAP

Account	Description	Opening Regulatory Gross PP&E as at Jan 1, 2013 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation (e) = (c) + ½ x (d) [1]	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)	2013 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	2,576,964	$ 1,920,006	$ 656,958	$ 114,742	$ 714,329	3.00	33.33%	$ 238,110	$ 223,112	$ 14,998
1612	Land Rights (Formally known as Account 1906)	1,603,587	$ 166,588	$ 1,436,999	$ 810	$ 1,437,404	25.00	4.00%	$ 57,496	$ 57,098	$ 398
1805	Land	507,273		$ 507,273		$ 507,273		0.00%	$ -		$ -
1808	Buildings	111,638	$ 111,638	$ 0		$ 0	50.00	2.00%	$ 0		$ 0
1810	Leasehold Improvements			$ -		$ -		0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV(1708,1740,1745)	3,833,014		$ 3,833,014		$ 3,833,014	50.00	2.00%	$ 76,660	$ 76,660	$ 0
1815	Transformer Station Equipment >50 kV (1715)	2,785,252		$ 2,785,252	$ 16,679	$ 2,793,592	40.00	2.50%	$ 69,840	$ 69,964	-$ 124
1820	Distribution Station Equipment <50 kV	6,450,525	$ 1,039,206	$ 5,411,319	-$ 96,485	$ 5,363,076	25.00	4.00%	$ 214,523	$ 213,305	$ 1,218
1825	Storage Battery Equipment			$ -		$ -	-	0.00%	$ -		$ -
1830	Poles, Towers & Fixtures	41,553,404	$ 10,121,148	$ 31,432,256	$ 2,020,540	$ 32,442,526	25.00	4.00%	$ 1,297,701	$ 1,293,914	$ 3,787
1835	Overhead Conductors & Devices	26,220,717	$ 1,019,957	$ 25,200,760	$ 1,964,012	$ 26,182,766	25.00	4.00%	$ 1,047,311	$ 1,061,183	-$ 13,872
1840	Underground Conduit	9,072,907	$ -	$ 9,072,907	$ 590,887	$ 9,368,351	25.00	4.00%	$ 374,734	$ 374,690	$ 44
1845	Underground Conductors & Devices	64,689,819	$ 5,991,137	$ 58,698,682	$ 1,885,219	$ 59,641,291	25.00	4.00%	$ 2,385,652	$ 2,327,444	$ 58,208
1850	Line Transformers	36,258,271	$ 7,047,673	$ 29,210,598	$ 1,097,946	$ 29,759,571	25.00	4.00%	$ 1,190,383	$ 1,225,005	-$ 34,622
1855	Services (Overhead & Underground)	4,629,063	$ -	$ 4,629,063	$ 800,998	$ 5,029,562	25.00	4.00%	$ 201,182	$ 201,182	$ 1
1860	Meters	2,645,456	$ -	$ 2,645,456	$ 248,020	$ 2,769,466	25.00	4.00%	$ 110,779	$ 128,806	-$ 18,028
1860	Meters (Smart Meters)	4,175,009	$ -	$ 4,175,009	$ 27,477	$ 4,188,748	15.00	6.67%	$ 279,250	$ 279,238	$ 12
1905	Land	508,970		$ 508,970		$ 508,970		0.00%	$ -		$ -
1908	Buildings & Fixtures	13,205,846	$ -	$ 13,205,846	$ 1,911,585	$ 14,161,638	60.00	1.67%	$ 236,027	$ 231,984	$ 4,044
1910	Leasehold Improvements	120,252		$ 120,252		$ 120,252		0.00%	$ -		$ -
1915	Office Furniture & Equipment (10 years)	1,323,139	$ 475,923	$ 847,216	$ 170,426	$ 932,429	10.00	10.00%	$ 93,243	$ 85,857	$ 7,386
1915	Office Furniture & Equipment (5 years)	0		$ -		$ -		0.00%	$ -		$ -
1920	Computer Equipment - Hardware	3,133,840	$ 1,462,547	$ 1,671,293	$ 276,353	$ 1,809,469	5.00	20.00%	$ 361,894	$ 304,065	$ 57,829
1920	Computer Equip.-Hardware(Post Mar. 22/04)	2,832	$ 2,832	$ -		$ -	5.00	20.00%	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	364,650	$ 364,650	$ -		$ -	5.00	20.00%	$ -		$ -
1930	Transportation Equipment	7,605,133	$ 3,052,671	$ 4,552,462	$ 974,875	$ 5,039,899	8.00	12.50%	$ 629,987	$ 567,673	$ 62,314
1935	Stores Equipment	236,414	$ 182,171	$ 54,243		$ 54,243	10.00	10.00%	$ 5,424	$ 5,424	$ 0
1940	Tools, Shop & Garage Equipment	1,871,744	$ 1,154,343	$ 717,401	$ 83,082	$ 758,942	10.00	10.00%	$ 75,894	$ 75,413	$ 481
1945	Measurement & Testing Equipment	204,006	$ 164,467	$ 39,539		$ 39,539	5.00	20.00%	$ 7,908	$ 7,508	$ 400
1950	Power Operated Equipment			$ -		$ -		0.00%	$ -		$ -
1955	Communications Equipment	502,921	$ 113,663	$ 389,258	$ 343,864	$ 561,190	4.00	25.00%	$ 140,297	$ 107,082	$ 33,215
1955	Communication Equipment (Smart Meters)			$ -		$ -		0.00%	$ -		$ -
1960	Miscellaneous Equipment	72,951	$ 38,089	$ 34,862		$ 34,862	5.00	20.00%	$ 6,972	$ 3,318	$ 3,654
1970	Load Management Controls - Customer Premises			$ -		$ -		0.00%	$ -		$ -
1975	Load Management Controls Utility Premises			$ -		$ -		0.00%	$ -		$ -
1980	System Supervisor Equipment	128,961	$ 128,961	-$ 0		-$ 0	15.00	6.67%	-$ 0	$ -	-$ 0
1985	Miscellaneous Fixed Assets			$ -		$ -		0.00%	$ -		$ -
1990	Other Tangible Property			$ -		$ -		0.00%	$ -		$ -
1995	Contributions & Grants	(20,525,491)	$ -	-$ 20,525,491	-$ 991,373	-$ 21,021,177	25.00	4.00%	-$ 840,847	-$ 810,261	-$ 30,586
	Total	$ 215,869,067	$ 34,557,670	$ 181,311,396	$ 11,439,656	$ 187,031,224			$ 8,260,421	$ 8,109,665	$ 150,756

Notes:

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

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

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

Appendix 2-CG
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013 and will adopt IFRS for financial reporting purposes effective January 1, 2015.

Year 2013 Revised CGAAP

Account	Description	Opening NBV as at Jan 1, 2013 [5] (a)	Additions (d)	Average Remaining Life of Opening NBV [4] (i)	Years (new additions only) [3] (f)	Depreciation Rate on New Additions (g) = 1 / (f)	Depreciation Expense on Opening NBV (j) = (a) / (i)	Depreciation Expense on Additions [1] (h)=((d)*0.5)/(f)	2013 Depreciation Expense (k) = (j) + (h)	2013 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (k) - (l)	Depreciation Expense on 2013 Full Year Additions (n) = (d)/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2013 Full Year Depreciation [6] (p) = (j) + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 366,564	$ 114,742	1.80	3.00	33.33%	$ 203,988	$ 19,124	$ 223,112	$ 223,112	$ 0	$ 38,247	$ 55,419	$ 186,816
1612	Land Rights (Formally known as Account 1906)	$ 792,523	$ 810	13.88	25.00	4.00%	$ 57,082	$ 16	$ 57,098	$ 57,098	-$ 0	$ 32	$ 48	$ 57,066
1805	Land	$ 507,273	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1808	Buildings	$ -	$ -	-	50.00	2.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1810	Leasehold Improvements	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV (1708,1740,1745)	$ 3,208,341	$ -	41.85	50.00	2.00%	$ 76,660	$ -	$ 76,660	$ 76,660	$ -	$ -		$ 76,660
1815	Transformer Station Equipment >50 kV (1715, 1815, 17)	$ 1,326,059	$ 16,679	36.64	45.00	2.22%	$ 36,194	$ 185	$ 36,379	$ 36,380	-$ 0	$ 371	$ 77	$ 36,488
1815	Transformer Station Equipment >50 kV (1716)	$ 32,522	$ -	1.45	10.00	10.00%	$ 22,487	$ -	$ 22,487	$ 22,487	$ -	$ -	$ 11,646	$ 10,841
1815	Transformer Station Equipment >50 kV (1717)	$ 423,007	$ -	31.71	40.00	2.50%	$ 13,339	$ -	$ 13,339	$ 13,339	$ -	$ -		$ 13,339
1815	Transformer Station Equipment >50 kV (1719)	$ 433,012	$ -	12.11	20.00	5.00%	$ 35,747	$ -	$ 35,747	$ 35,747	$ -	$ -		$ 35,747
1820	Distribution Station Equipment <50 kV	$ 2,004,873	-$ 497,870	23.38	45.00	2.22%	$ 85,762	-$ 5,532	$ 80,230	$ 80,230	$ 0	-$ 11,064	$ 16,891	$ 57,807
1820	Distribution Station Equipment <50 kV (1821)	$ 1,150,232	$ 401,385	20.33	30.00	3.33%	$ 56,572	$ 6,690	$ 63,262	$ 63,263	-$ 0	$ 13,379		$ 69,952
1825	Storage Battery Equipment	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1830	Poles, Towers & Fixtures-Wood poles	$ 15,662,778	$ 1,900,121	42.86	50.00	2.00%	$ 365,435	$ 19,001	$ 384,437	$ 384,436	$ 0	$ 38,002	$ -	$ 403,438
1830	Poles, Towers & Fixtures (1831) Concrete	$ 1,677,384	$ 120,419	52.95	60.00	1.67%	$ 31,677	$ 1,003	$ 32,680	$ 32,680	$ 0	$ 2,007		$ 33,684
1835	Overhead Conductors & Devices	$ 13,378,699	$ 1,858,350	23.96	60.00	1.67%	$ 558,279	$ 15,486	$ 573,765	$ 573,766	-$ 0	$ 30,972	$ 321,602	$ 267,649
1835	Overhead Conductors & Devices (1836)	$ 1,684,638	$ 105,662	27.82	15.00	6.67%	$ 60,556	$ 3,522	$ 64,078	$ 64,078	$ 0	$ 7,044	-$ 142,176	$ 209,776
1835	Overhead Conductors & Devices (1837)	$ 1,438,980	$ -	-	30.00	3.33%	$ -	$ -	$ -		$ -	$ -	-$ 69,750	$ 69,750
1840	Underground Conduit	$ 6,874,815	$ 590,887	44.26	50.00	2.00%	$ 155,335	$ 5,909	$ 161,244	$ 161,244	$ 0	$ 11,818		$ 167,153
1845	Underground Conductors & Devices	$ 26,944,944	$ 1,698,459	16.81	35.00	2.86%	$ 1,603,210	$ 24,264	$ 1,627,474	$ 1,627,473	$ 0	$ 48,527	-$ 14,060	$ 1,665,798
1845	Underground Conductors & Devices (1846)	$ 938,871	$ 186,760	10.76	30.00	3.33%	$ 87,272	$ 3,113	$ 90,385	$ 90,384	$ 0	$ 6,225	$ 42,142	$ 51,355
1850	Line Transformers (1850) Polemount	$ 5,768,242.17	$ 289,471	27.75	40.00	2.50%	$ 207,882	$ 3,618	$ 211,500	$ 211,500	$ 0	$ 7,237	$ 5,978	$ 209,141
1850	Line Transformers (1853) Padmount	$ 9,183,432	$ 808,475	20.20	30.00	3.33%	$ 454,522	$ 13,475	$ 467,996	$ 467,996	$ 0	$ 26,949	-$ 2,892	$ 484,363
1855	Services (Overhead & Underground)	$ 3,519,280	$ 800,998	19.01	25.00	4.00%	$ 185,162	$ 16,020	$ 201,182	$ 201,182	$ 0	$ 32,040	$ -	$ 217,202
1860	Meters	$ 1,804,529	$ 248,020	12.82	20.00	5.00%	$ 140,728	$ 6,201	$ 146,929	$ 146,928	$ 0	$ 12,401	$ 3,249	$ 149,880
1860	Meters (Smart Meters)	$ 3,479,174	$ 27,477	12.50	15.00	6.67%	$ 278,323	$ 916	$ 279,238	$ 279,238	$ 0	$ 1,832	$ -	$ 280,154
1905	Land	$ 508,970	$ -	-	-	0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1908	Buildings & Fixtures	$ 10,750,312	$ 1,911,585	48.07	60.00	1.67%	$ 223,639	$ 15,930	$ 239,569	$ 231,984	$ 7,585	$ 31,860		$ 255,498
1910	Leasehold Improvements	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 471,376	$ 170,426	6.10	10.00	10.00%	$ 77,336	$ 8,521	$ 85,857	$ 85,857	$ 0	$ 17,043		$ 94,378
1915	Office Furniture & Equipment (5 years)	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1920	Computer Equipment - Hardware	$ 817,651	$ 276,353	2.96	5.00	20.00%	$ 276,430	$ 27,635	$ 304,065	$ 304,065	$ 0	$ 55,271	$ 78,944	$ 252,756
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1930	Transportation Equipment (1931)	$ 227,225	$ 157,663	4.13	8.00	12.50%	$ 54,997	$ 9,854	$ 64,851	$ 64,851	-$ 0	$ 19,708		$ 74,705
1930	Transportation Equipment (1932) Large Trucks	$ 2,718,355	$ 808,792	14.61	15.00	6.67%	$ 186,107	$ 26,960	$ 213,067	$ 213,067	-$ 0	$ 53,919	-$ 6,167	$ 246,194
1930	Transportation Equipment (1933) Trailers	$ 96,506	$ 8,420	19.22	20.00	5.00%	$ 5,022	$ 211	$ 5,233	$ 5,233	$ 0	$ 421		$ 5,443
1935	Stores Equipment	$ 39,773	$ -	7.33	10.00	10.00%	$ 5,424	$ -	$ 5,424	$ 5,424	$ -	$ -		$ 5,424
1940	Tools, Shop & Garage Equipment	$ 414,514	$ 83,082	5.82	10.00	10.00%	$ 71,259	$ 4,154	$ 75,413	$ 75,413	-$ 0	$ 8,308		$ 79,567
1945	Measurement & Testing Equipment	$ 17,387	$ -	2.32	5.00	20.00%	$ 7,508	$ -	$ 7,508	$ 7,508	$ -	$ -		$ 7,508
1950	Power Operated Equipment	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1955	Communications Equipment	$ 346,940	$ 343,864	17.87	20.00	5.00%	$ 19,419	$ 8,597	$ 28,016	$ 19,419	$ 8,597	$ 17,193		$ 36,612
1955	Communication Equipment (Smart Meters)	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1960	Miscellaneous Equipment	5,638	$ -	1.70	5.00	20.00%	$ 3,318	$ -	$ 3,318	$ 3,318	$ -	$ -		$ 3,318
1970	Load Management Controls - Customer Premises	0	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1975	Load Management Controls Utility Premises	0	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1980	System Supervisor Equipment	0	$ -		15.00	6.67%	$ -	$ -	$ -		$ -	$ -		$ -
1985	Miscellaneous Fixed Assets	0	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1990	Other Tangible Property	0	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1995	Contributions & Grants	(15,031,876)	-$ 991,373	19.02	25.00	4.00%	-$ 790,433	-$ 19,827	-$ 810,261	-$ 810,261	$ 0	-$ 39,655		-$ 830,088
	Total	**103,982,941**	**$ 11,439,655**				**$ 4,856,238**	**$ 215,044**	**$ 5,071,283**	**$ 5,055,098**	**$ 16,185**	**$ 430,089**	**$ 300,951**	**$ 4,985,376**

Notes:

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

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

3 The applicant should ensure that the years for new additions of assets are the asset useful lives determined by management in accordance with the Board's regulatory accounting policies. The capitalization and depreciation expense accounting changes should be implemented consistent with the Board's regulatory accounting policies as set out for MIFRS as contained in the Report of the Board, Transition to International Financial Reporting Standards, EB-2008-0408, the Kinectrics Report, and the Revised 2012 Accounting Procedures Handbook for Electricity Distributors.

4 A recalculation should be performed to determine the average remaining life of opening balance of assets (i.e. excluding 2013 additions) under the change in policies under CGAAP. For example, Asset A had a useful life of 20 years under CGAAP without the change in policies. On January 1, 2013, the effective date of the changes in policies, Asset A was 3 years depreciated. As a result, Asset A would have a remaining service life of 17 years (20 years less 3 years) as of January 1, 2013. Due to making the change in policies under CGAAP, management re-assessed the asset useful lives and concluded that the revised useful life of Asset A is now 30 years. Therefore, the average remaining useful life of the opening balance of Asset A is determined to be 27 years (30 years less 3 years) under the revised CGAAP as of January 1, 2013.

5 NBV must exclude assets still on the books but which have been fully amortized or depreciated.

6 This column refers to the calculated full year depreciation but excludes the depreciation expense on assets fully depreciated during the year. This column is used for the purpose of calculating depreciation expense in the following year on the next worksheet.

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

File Number:	EB-2014-0096
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Appendix 2-CH 2014-1
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013 and will adopt IFRS for financial reporting purposes effective January 1, 2015.

Year **2014** **Former CGAAP**

Account	Description	Opening Regulatory Gross PP&E as at Jan 1, 2014 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation (e) = (c) + ½ x (d) [1]	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)	2014 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	2,691,706	$ 2,215,733	$ **475,973**	$ 737,966	$ **844,956**	3.00	33.33%	$ **281,652**	$ 467,668	-$ **186,016**
1612	Land Rights (Formally known as Account 1906)	1,604,397	$ 201,895	$ **1,402,501**	$ -	$ **1,402,501**	25.00	4.00%	$ **56,100**	$ 57,067	-$ **967**
1805	Land	507,273		$ **507,273**		$ **507,273**		0.00%	$ -		$ -
1808	Buildings	111,638	$ 111,638	$ **0**		$ **0**	50.00	2.00%	$ **0**		$ **0**
1810	Leasehold Improvements			$ -		$ -		0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV(1708,1740,1745)	3,833,014		$ **3,833,014**		$ **3,833,014**	50.00	2.00%	$ **76,660**	$ 76,660	$ **0**
1815	Transformer Station Equipment >50 kV (1715)	2,801,931		$ **2,801,931**	$ -	$ **2,801,931**	40.00	2.50%	$ **70,048**	$ 70,172	-$ **124**
1820	Distribution Station Equipment <50 kV	6,354,040	$ 1,135,814	$ **5,218,226**	$ 252,037	$ **5,344,244**	25.00	4.00%	$ **213,770**	$ 204,690	$ **9,079**
1825	Storage Battery Equipment			$ -		$ -	-	0.00%	$ -		$ -
1830	Poles, Towers & Fixtures	43,573,943	$ 10,121,148	$ **33,452,796**	$ 1,931,739	$ **34,418,665**	25.00	4.00%	$ **1,376,747**	$ 1,352,860	$ **23,887**
1835	Overhead Conductors & Devices	28,184,729	$ 1,019,957	$ **27,164,772**	$ 841,832	$ **27,585,688**	25.00	4.00%	$ **1,103,428**	$ 1,108,574	-$ **5,146**
1840	Underground Conduit	9,663,794	$ -	$ **9,663,794**	$ 1,246,226	$ **10,286,907**	25.00	4.00%	$ **411,476**	$ 411,432	$ **44**
1845	Underground Conductors & Devices	66,575,038	$ 7,291,805	$ **59,283,232**	$ 2,535,908	$ **60,551,186**	25.00	4.00%	$ **2,422,047**	$ 2,343,300	$ **78,747**
1850	Line Transformers	37,356,217	$ 7,165,723	$ **30,190,494**	$ 1,818,452	$ **31,099,720**	25.00	4.00%	$ **1,243,989**	$ 1,243,780	$ **209**
1855	Services (Overhead & Underground)	5,430,061	$ -	$ **5,430,061**	$ 1,062,007	$ **5,961,064**	25.00	4.00%	$ **238,443**	$ 238,442	$ **1**
1860	Meters	2,893,476	$ -	$ **2,893,476**	$ 602,414	$ **3,194,683**	25.00	4.00%	$ **127,787**	$ 152,822	-$ **25,035**
1860	Meters (Smart Meters)	4,202,486	$ -	$ **4,202,486**	$ 1,658,578	$ **5,031,776**	15.00	6.67%	$ **335,452**	$ 465,231	-$ **129,779**
1905	Land	508,970		$ **508,970**		$ **508,970**		0.00%	$ -		$ -
1908	Buildings & Fixtures	15,117,430	$ -	$ **15,117,430**	$ 1,500,485	$ **15,867,673**	60.00	1.67%	$ **264,461**	$ 260,611	$ **3,851**
1910	Leasehold Improvements	120,252		$ **120,252**		$ **120,252**		0.00%	$ -		$ -
1915	Office Furniture & Equipment (10 years)	1,493,564	$ 546,938	$ **946,627**	$ 157,000	$ **1,025,127**	10.00	10.00%	$ **102,513**	$ 100,229	$ **2,284**
1915	Office Furniture & Equipment (5 years)	0		$ -		$ -		0.00%	$ -		$ -
1920	Computer Equipment - Hardware	3,410,192	$ 2,070,287	$ **1,339,906**	$ 302,295	$ **1,491,053**	5.00	20.00%	$ **298,211**	$ 284,534	$ **13,676**
1920	Computer Equip.-Hardware(Post Mar. 22/04)	2,832	$ 2,832	$ -		$ -	5.00	20.00%	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	364,650	$ 364,650	$ -		$ -	5.00	20.00%	$ -		$ -
1930	Transportation Equipment	8,580,008	$ 3,226,935	$ **5,353,073**	$ 672,000	$ **5,689,073**	8.00	12.50%	$ **711,134**	$ 724,983	-$ **13,849**
1935	Stores Equipment	236,414	$ 182,171	$ **54,243**	$ 75,000	$ **91,743**	10.00	10.00%	$ **9,174**	$ 9,174	-$ **0**
1940	Tools, Shop & Garage Equipment	1,954,826	$ 1,178,844	$ **775,982**	$ 67,000	$ **809,482**	10.00	10.00%	$ **80,948**	$ 78,815	$ **2,133**
1945	Measurement & Testing Equipment	204,006	$ 170,550	$ **33,457**		$ **33,457**	5.00	20.00%	$ **6,691**	$ 5,092	$ **1,599**
1950	Power Operated Equipment			$ -		$ -		0.00%	$ -		$ -
1955	Communications Equipment	846,785	$ 158,935	$ **687,850**	$ 227,500	$ **801,600**	4.00	25.00%	$ **200,400**	$ 199,196	$ **1,204**
1955	Communication Equipment (Smart Meters)			$ -		$ -		0.00%	$ -		$ -
1960	Miscellaneous Equipment	72,951	$ 62,317	$ **10,635**		$ **10,635**	5.00	20.00%	$ **2,127**	$ 2,072	$ **55**
1970	Load Management Controls - Customer Premises			$ -		$ -		0.00%	$ -		$ -
1975	Load Management Controls Utility Premises			$ -		$ -		0.00%	$ -		$ -
1980	System Supervisor Equipment	128,961	$ 128,961	-$ **0**		-$ **0**	15.00	6.67%	-$ **0**		-$ **0**
1985	Miscellaneous Fixed Assets			$ -		$ -		0.00%	$ -		$ -
1990	Other Tangible Property			$ -		$ -		0.00%	$ -		$ -
1995	Contributions & Grants	(21,516,864)	$ -	-$ **21,516,864**	-$ 900,000	-$ **21,966,864**	25.00	4.00%	-$ **878,675**	-$ 845,482	-$ **33,192**
	Total	$ **227,308,720**	$ **37,357,132**	$ **189,951,588**	$ **14,788,439**	$ **197,345,807**			$ **8,754,583**	$ **9,011,923**	-$ **257,339**

Notes:

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

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

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

File Number:	EB-2014-0096
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Appendix 2-CH-2014-2
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013 and will adopt IFRS for financial reporting purposes effective January 1, 2015.

2014 MIFRS

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2014 Depreciation Expense [1] (h)=2013 Full Year Deprecation + ((d)*0.5)/(f)	2014 Depreciation Expense per Apppendix 2-BA Fixed Assets, Column J (I)	Variance [2] (m) = (h) - (I)	Depreciation Expense on 2014 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2014 Full Year Depreciation [3] (p) = 2013 Full Year Depreciation + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 737,966	3.00	33.33%	$ 309,811	$ 467,669	-$ 157,858	$ 245,989	$ 388,650	$ 44,155
1612	Land Rights (Formally known as Account 1906)	$ -	25.00	4.00%	$ 57,066	$ 57,067	-$ 0	$ -		$ 57,066
1805	Land		-	0.00%	$ -		$ -	$ -		$ -
1808	Buildings		50.00	2.00%	$ -		$ -	$ -		$ -
1810	Leasehold Improvements		-	0.00%	$ -		$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV (1708,1740,1745)		50.00	2.00%	$ 76,660	$ 76,660	$ -	$ -		$ 76,660
1815	Transformer Station Equipment >50 kV (1715, 1815, 17)		45.00	2.22%	$ 36,488	$ 36,488	-$ 0	$ -		$ 36,488
1815	Transformer Station Equipment >50 kV (1716)		10.00	10.00%	$ 10,841	$ 10,841	-$ 0	$ -	$ 11,746	-$ 905
1815	Transformer Station Equipment >50 kV (1717)		40.00	2.50%	$ 13,339	$ 13,339	$ 0	$ -		$ 13,339
1815	Transformer Station Equipment >50 kV (1719)		20.00	5.00%	$ 35,747	$ 35,747	-$ 0	$ -		$ 35,747
1820	Distribution Station Equipment <50 kV	$ 140,250	45.00	2.22%	$ 59,366	$ 59,366	-$ 0	$ 3,117		$ 60,924
1820	Distribution Station Equipment <50 kV (1821)	$ 111,787	30.00	3.33%	$ 71,815	$ 71,815	-$ 0	$ 3,726		$ 73,678
1825	Storage Battery Equipment		-	0.00%	$ -		$ -	$ -		$ -
1830	Poles, Towers & Fixtures-Wood poles	$ 1,869,515	50.00	2.00%	$ 422,133	$ 422,133	$ 0	$ 37,390		$ 440,828
1830	Poles, Towers & Fixtures (1831) Concrete	$ 62,224	60.00	1.67%	$ 34,202	$ 34,202	$ 0	$ 1,037		$ 34,721
1835	Overhead Conductors & Devices	$ 673,088	60.00	1.67%	$ 273,258	$ 273,258	$ 0	$ 11,218		$ 278,867
1835	Overhead Conductors & Devices (1836)	$ 138,346	15.00	6.67%	$ 214,387	$ 214,387	-$ 0	$ 9,223	$ 11,653	$ 207,346
1835	Overhead Conductors & Devices (1837)	$ 30,399	30.00	3.33%	$ 70,257	$ 70,256	$ 0	$ 1,013		$ 70,763
1840	Underground Conduit	$ 1,246,226	50.00	2.00%	$ 179,615	$ 179,616	-$ 0	$ 24,925		$ 192,078
1845	Underground Conductors & Devices	$ 2,441,445	35.00	2.86%	$ 1,700,675	$ 1,700,675	-$ 0	$ 69,756	$ 525,094	$ 1,210,459
1845	Underground Conductors & Devices (1846)	$ 94,463	30.00	3.33%	$ 52,930	$ 52,929	$ 0	$ 3,149	$ 4,258	$ 50,246
1850	Line Transformers (1850) Polemount	$ 950,461	40.00	2.50%	$ 221,021	$ 221,021	-$ 0	$ 23,762		$ 232,902
1850	Line Transformers (1853) Padmount	$ 867,991	30.00	3.33%	$ 498,830	$ 498,830	-$ 0	$ 28,933	$ 2,262	$ 511,035
1855	Services (Overhead & Underground)	$ 1,062,007	25.00	4.00%	$ 238,442	$ 238,442	$ 0	$ 42,480		$ 259,682
1860	Meters	$ 602,413	20.00	5.00%	$ 164,940	$ 164,940	$ 0	$ 30,121	$ 625	$ 179,376
1860	Meters (Smart Meters)	$ 1,658,578	15.00	6.67%	$ 335,440	$ 465,231	-$ 129,791	$ 110,572	$ -	$ 390,726
1905	Land		-	0.00%	$ -		$ -	$ -		$ -
1908	Buildings & Fixtures	$ 1,500,485	60.00	1.67%	$ 268,002	$ 260,611	$ 7,392	$ 25,008	$ 8,171	$ 272,336
1910	Leasehold Improvements		-	0.00%	$ -		$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 157,000	10.00	10.00%	$ 102,228	$ 100,229	$ 1,999	$ 15,700	$ 2,478	$ 107,600
1915	Office Furniture & Equipment (5 years)		-	0.00%	$ -		$ -	$ -		$ -
1920	Computer Equipment - Hardware	$ 302,294	5.00	20.00%	$ 282,986	$ 284,534	-$ 1,549	$ 60,459	$ 101,869	$ 211,346
1920	Computer Equip.-Hardware(Post Mar. 22/04)		-	0.00%	$ -		$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)		-	0.00%	$ -		$ -	$ -		$ -
1930	Transportation Equipment (1931)	$ -	8.00	12.50%	$ 74,705	$ 68,307	$ 6,398	$ -		$ 74,705
1930	Transportation Equipment (1932) Large Trucks	$ 650,000	15.00	6.67%	$ 267,860	$ 303,228	-$ 35,368	$ 43,333		$ 289,527
1930	Transportation Equipment (1933) Trailers	$ 22,000	20.00	5.00%	$ 5,993	$ 6,134	-$ 140	$ 1,100		$ 6,543
1935	Stores Equipment	$ 75,000	10.00	10.00%	$ 9,174	$ 9,174	-$ 0	$ 7,500		$ 12,924
1940	Tools, Shop & Garage Equipment	$ 67,000	10.00	10.00%	$ 82,917	$ 78,815	$ 4,102	$ 6,700		$ 86,267
1945	Measurement & Testing Equipment		5.00	20.00%	$ 7,508	$ 5,092	$ 2,416	$ -		$ 7,508
1950	Power Operated Equipment		-	0.00%	$ -		$ -	$ -		$ -
1955	Communications Equipment	$ 227,500	20.00	5.00%	$ 42,300	$ 40,434	$ 1,866	$ 11,375		$ 47,987
1955	Communication Equipment (Smart Meters)		-	0.00%	$ -		$ -	$ -		$ -
1960	Miscellaneous Equipment		5.00	20.00%	$ 3,318	$ 2,072	$ 1,247	$ -		$ 3,318
1970	Load Management Controls - Customer Premises		-	0.00%	$ -		$ -	$ -		$ -
1975	Load Management Controls Utility Premises		-	0.00%	$ -		$ -	$ -		$ -
1980	System Supervisor Equipment		15.00	6.67%	$ -	$ -	$ -	$ -		$ -
1985	Miscellaneous Fixed Assets		-	0.00%	$ -		$ -	$ -		$ -
1990	Other Tangible Property		-	0.00%	$ -		$ -	$ -		$ -
1995	Contributions & Grants	-$ 900,000	25.00	4.00%	-$ 848,088	-$ 845,483	-$ 2,606	-$ 36,000		-$ 866,088
	Total	**$ 14,788,439**			**$ 5,376,168**	**$ 5,678,061**	**-$ 301,892**	**$ 781,585**	**$ 1,056,806**	**$ 4,710,155**
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets)									
	Total Depreciation Expense				**$ 5,376,168**					

Notes:

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

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

3 This column refers to the calculated full year depreciation but excludes the depreciation expense on assets fully depreciated during the year. This column is used for the purpose of calculating depreciation expense in the following year on the next worksheet.

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

File Number:	EB-2014-0096
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Appendix 2-CI
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013 and will adopt IFRS for financial reporting purposes effective January 1, 2015.

2015 MIFRS

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2015 Depreciation Expense [1] (h)=2014 Full Year Depreciation + ((d)*0.5)/(f)	2015 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)
1611	Computer Software (Formally known as Account 1925)	$ 368,740	3.00	33.33%	$ 105,612	$ 78,909	$ 26,703
1612	Land Rights (Formally known as Account 1906)		25.00	4.00%	$ 57,066	$ 57,067	-$ 0
1805	Land		-	0.00%	$ -		$ -
1808	Buildings		50.00	2.00%	$ -		$ -
1810	Leasehold Improvements		-	0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV (1708,1740,1745)		50.00	2.00%	$ 76,660	$ 76,660	-$ 0
1815	Transformer Station Equipment >50 kV (1715, 1815, 17)		45.00	2.22%	$ 36,488	$ 36,488	-$ 0
1815	Transformer Station Equipment >50 kV (1716)		10.00	10.00%	-$ 905	-$ 905	-$ 0
1815	Transformer Station Equipment >50 kV (1717)		40.00	2.50%	$ 13,339	$ 13,339	$ 0
1815	Transformer Station Equipment >50 kV (1719)		20.00	5.00%	$ 35,747	$ 35,747	-$ 0
1820	Distribution Station Equipment <50 kV		45.00	2.22%	$ 60,924	$ 60,924	-$ 0
1820	Distribution Station Equipment <50 kV (1821)		30.00	3.33%	$ 73,678	$ 73,679	-$ 0
1825	Storage Battery Equipment		-	0.00%	$ -		$ -
1830	Poles, Towers & Fixtures-Wood poles	$ 2,160,317	50.00	2.00%	$ 462,431	$ 462,431	$ 0
1830	Poles, Towers & Fixtures (1831) Concrete	$ 58,750	60.00	1.67%	$ 35,210	$ 35,210	$ 0
1835	Overhead Conductors & Devices	$ 1,164,812	60.00	1.67%	$ 288,574	$ 288,574	$ 0
1835	Overhead Conductors & Devices (1836)	$ 101,000	15.00	6.67%	$ 210,712	$ 210,713	-$ 0
1835	Overhead Conductors & Devices (1837)	$ 30,162	30.00	3.33%	$ 71,266	$ 71,266	$ 0
1840	Underground Conduit	$ 836,870	50.00	2.00%	$ 200,446	$ 200,447	-$ 0
1845	Underground Conductors & Devices	$ 2,444,065	35.00	2.86%	$ 1,245,374	$ 1,245,374	-$ 0
1845	Underground Conductors & Devices (1846)	$ 561,196	30.00	3.33%	$ 59,599	$ 59,599	$ 0
1850	Line Transformers (1850) Polemount	$ 885,008	40.00	2.50%	$ 243,965	$ 243,965	-$ 0
1850	Line Transformers (1853) Padmount	$ 662,260	30.00	3.33%	$ 522,072	$ 522,072	$ 0
1855	Services (Overhead & Underground)	$ 1,018,443	25.00	4.00%	$ 280,051	$ 280,051	$ 0
1860	Meters	$ 284,541	20.00	5.00%	$ 186,489	$ 186,489	$ 0
1860	Meters (Smart Meters)	$ 143,150	15.00	6.67%	$ 395,498	$ 405,162	-$ 9,664
1905	Land		-	0.00%	$ -		$ -
1908	Buildings & Fixtures	$ 44,000	60.00	1.67%	$ 272,702	$ 281,047	-$ 8,344
1910	Leasehold Improvements		-	0.00%	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 32,824	10.00	10.00%	$ 109,241	$ 97,373	$ 11,868
1915	Office Furniture & Equipment (5 years)		-	0.00%	$ -		$ -
1920	Computer Equipment - Hardware	$ 240,248	5.00	20.00%	$ 235,371	$ 236,679	-$ 1,308
1920	Computer Equip.-Hardware(Post Mar. 22/04)		-	0.00%	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)		-	0.00%	$ -		$ -
1930	Transportation Equipment (1931)	$ 114,086	8.00	12.50%	$ 81,835	$ 65,721	$ 16,114
1930	Transportation Equipment (1932) Large Trucks	$ 513,992	15.00	6.67%	$ 306,660	$ 342,028	-$ 35,368
1930	Transportation Equipment (1933) Trailers	$ 70,800	20.00	5.00%	$ 8,313	$ 8,454	-$ 140
1935	Stores Equipment		10.00	10.00%	$ 12,924	$ 8,799	$ 4,125
1940	Tools, Shop & Garage Equipment	$ 60,803	10.00	10.00%	$ 89,307	$ 78,073	$ 11,234
1945	Measurement & Testing Equipment	$ 1,000	5.00	20.00%	$ 7,608	$ 3,239	$ 4,369
1950	Power Operated Equipment		-	0.00%	$ -		$ -
1955	Communications Equipment	$ 215,000	20.00	5.00%	$ 53,362	$ 51,496	$ 1,866
1955	Communication Equipment (Smart Meters)		-	0.00%	$ -		$ -
1960	Miscellaneous Equipment	$ 1,000	5.00	20.00%	$ 3,418	$ 249	$ 3,169
1970	Load Management Controls - Customer Premises		-	0.00%	$ -		$ -
1975	Load Management Controls Utility Premises		-	0.00%	$ -		$ -
1980	System Supervisor Equipment		15.00	6.67%	$ -		$ -
1985	Miscellaneous Fixed Assets		-	0.00%	$ -		$ -
1990	Other Tangible Property		-	0.00%	$ -		$ -
1995	Contributions & Grants	-$ 827,800	25.00	4.00%	-$ 882,644	-$ 879,539	-$ 3,106
	Total	**$ 11,185,268**			**$ 4,958,397**	**$ 4,936,879**	**$ 21,518**
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets)						
	Total Depreciation expense to be included in the test year revenue requirement				**$ 4,958,397**		

Notes:

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

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

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

Exhibit 4

Tab 5 of 6

Taxes or Payments In Lieu of Taxes (PILs)

Taxes or Payments In Lieu of Taxes (PILs)

The model used to derive the allowance for the Payment in Lieu of Taxes ("PILS") included in NPEI's 2011 Board approved revenue requirement is presented at E4/T5/S1/Att1. NPEI's 2013 federal and provincial corporate income tax returns are provided at E4/T5/S2/Att1. Notices of Assessment for 2012 and reassessments for 2009, 2010 and 2011 are also provided at E4/T5/S2/Att1.

NPEI's corporate tax returns were audited in 2013 for the fiscal periods related to 2009, 2010 and 2011. The result of the audit is also included in E4/T5/S2/Att1. The reassessments related to the calculation of capital taxes during those years. The total impact was approximately $15K. NPEI accounted for these reassessments in 2013.

Attachment 1 of 1

OEB PILs Model

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Version 3.0

Utility Name	Niagara Peninsula Energy Inc.
Assigned EB Number	EB-2014-0096
Name and Title	Suzanne Wilson, VP Finance
Phone Number	905-353-6004
Email Address	Suzanne.wilson@npei.ca
Date	8/29/2014
Last COS Re-based Year	**2011**

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Rate Base			**$ 143,761,898**	

Return on Ratebase

Deemed ShortTerm Debt %	4.00%	T	$ 5,750,476	*W = S * T*
Deemed Long Term Debt %	56.00%	U	$ 80,506,663	*X = S * U*
Deemed Equity %	40.00%	V	$ 57,504,759	*Y = S * V*
Short Term Interest Rate	2.11%	Z	$ 121,335	*AC = W * Z*
Long Term Interest	4.28%	AA	$ 3,445,899	*AD = X * AA*
Return on Equity (Regulatory Income)	9.36%	AB	**$ 5,382,445**	*AE = Y * AB*
Return on Rate Base			**$ 8,949,680**	*AF = AC + AD + AE*

Questions that must be answered

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 8 - Historical Year

Class	Class Description	UCC End of Year Historical per tax returns	Less: Non-Distribution Portion	UCC Regulated Historical Year
1	Distribution System - post 1987	56,259,372		56,259,372
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	0		0
2	Distribution System - pre 1988	3,633,291		3,633,291
8	General Office/Stores Equip	1,666,790		1,666,790
10	Computer Hardware/ Vehicles	2,705,841		2,705,841
10.1	Certain Automobiles			0
12	Computer Software	57,371		57,371
13_1	Lease # 1			0
13_2	Lease #2			0
13_3	Lease # 3			0
13_4	Lease # 4			0
14	Franchise			0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	282,408		282,408
42	Fibre Optic Cable			0
43.1	Certain Energy-Efficient Electrical Generating Equipment			0
43.2	Certain Clean Energy Generation Equipment			0
45	Computers & Systems Software acq'd post Mar 22/04	2,832		2,832
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)			0
47	Distribution System - post February 2005	48,060,734		48,060,734
50	Data Network Infrastructure Equipment - post Mar 2007	364,650		364,650
52	Computer Hardware and system software			0
95	CWIP			0
3	Buildings acquired before 1988	1,275,277		1,275,277
1b	Buildings > 18-03-07	4,969,771		4,969,771
1b	Buildings > 18-03-07	2,425,531		2,425,531
				0
				0
				0
				0
				0
				0
				0
	SUB-TOTAL - UCC	121,703,868	0	121,703,868

Schedule 10 CEC - Historical Year

Cumulative Eligible Capital				**1,050,008**
Additions				
Cost of Eligible Capital Property Acquired during Test Year				
Other Adjustments	0			
Subtotal	0	x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	x 1/2 =	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**1,050,008**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**1,050,008**
Current Year Deduction		**1,050,008**	**x 7% =**	**73,501**
Cumulative Eligible Capital - Closing Balance				**976,507**

Ontario Energy Board

Income Tax/PILs Workform for 2

Schedule 13 Tax Reserves - Historical

Continuity of Reserves

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 7-1 Loss Carry Forward - Historical

Corporation Loss Continuity and Application

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

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Adjusted Taxable Income - Historical Year

	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
Income before PILs/Taxes	A	3,187,387		3,187,387
Additions:				
Interest and penalties on taxes	103			0
Amortization of tangible assets	104	5,321,041		5,321,041
Amortization of intangible assets	106			0
Recapture of capital cost allowance from Schedule 8	107			0
Gain on sale of eligible capital property from Schedule 10	108			0
Income or loss for tax purposes- joint ventures or partnerships	109			0
Loss in equity of subsidiaries and affiliates	110			0
Loss on disposal of assets	111			0
Charitable donations	112			0
Taxable Capital Gains	113			0
Political Donations	114			0
Deferred and prepaid expenses	116			0
Scientific research expenditures deducted on financial statements	118			0
Capitalized interest	119			0
Non-deductible club dues and fees	120			0
Non-deductible meals and entertainment expense	121			0
Non-deductible automobile expenses	122			0
Non-deductible life insurance premiums	123			0
Non-deductible company pension plans	124			0
Tax reserves deducted in prior year	125			0
Reserves from financial statements- balance at end of year	126			0
Soft costs on construction and renovation of buildings	127			0
Book loss on joint ventures or partnerships	205			0
Capital items expensed	206			0
Debt issue expense	208			0
Development expenses claimed in current year	212			0
Financing fees deducted in books	216			0
Gain on settlement of debt	220			0
Non-deductible advertising	226			0
Non-deductible interest	227			0
Non-deductible legal and accounting fees	228			0
Recapture of SR&ED expenditures	231			0
Share issue expense	235			0
Write down of capital property	236			0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237			0
Other Additions				
Interest Expensed on Capital Leases	290			0
Realized Income from Deferred Credit Accounts	291			0
Pensions	292			0
Non-deductible penalties	293			0
Previous years apprenticeship tax credit claimed	294	106,351		106,351
	295			0
ARO Accretion expense				0
Capital Contributions Received (ITA 12(1)(x))				0
Lease Inducements Received (ITA 12(1)(x))				0
Deferred Revenue (ITA 12(1)(a))				0
Prior Year Investment Tax Credits received				0
Change in Employee Future Benefits		107,944		107,944

Change in Regulatory variance accounts		879,966		879,966
Inducement - ITA 12(1)(x)-ITC from apprenticeship job creation expenditures		12,572		12,572
				0
				0
				0
				0
				0
				0
				0
Total Additions		**6,427,874**	**0**	**6,427,874**
Deductions:				
Gain on disposal of assets per financial statements	401			0
Dividends not taxable under section 83	402			0
Capital cost allowance from Schedule 8	403	8,552,056		8,552,056
Terminal loss from Schedule 8	404			0
Cumulative eligible capital deduction from Schedule 10	405	73,501		73,501
Allowable business investment loss	406			0
Deferred and prepaid expenses	409			0
Scientific research expenses claimed in year	411			0
Tax reserves claimed in current year	413			0
Reserves from financial statements - balance at beginning of year	414			0
Contributions to deferred income plans	416			0
Book income of joint venture or partnership	305			0
Equity in income from subsidiary or affiliates	306			0
Other deductions: (Please explain in detail the nature of the item)				
Interest capitalized for accounting deducted for tax	390			0
Capital Lease Payments	391			0
Non-taxable imputed interest income on deferral and variance accounts	392			0
	393			0
	394			0
ARO Payments - Deductible for Tax when Paid				0
ITA 13(7.4) Election - Capital Contributions Received				0
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds				0
Deferred Revenue - ITA 20(1)(m) reserve				0
Principal portion of lease payments				0
Lease Inducement Book Amortization credit to income				0
Financing fees for tax ITA 20(1)(e) and (e.1)				0
Apprenticeship credits included in FS income		118,062		118,062
				0
				0
				0
				0
				0
				0
Total Deductions		**8,743,619**	**0**	**8,743,619**
Net Income for Tax Purposes		**871,642**	**0**	**871,642**
Charitable donations from Schedule 2	311			0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320			0
Non-capital losses of preceding taxation years from Schedule 4	331			0
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332			0
Limited partnership losses of preceding taxation years from Schedule 4	335			0
TAXABLE INCOME		**871,642**	**0**	**871,642**

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

PILs Tax Provision - Historical Year

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

						Wires Only	
Regulatory Taxable Income						$ 871,642	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	**B**	$ 100,239	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**				
	Rate reduction (negative)	-7.00%	**E**	-$ 35,000	**F = D * E**		
Ontario Income tax						$ 65,239	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			7.48%	**K = J / A**		
	Federal tax rate (Maximum 15%)			15.00%	**L**		
	Combined tax rate					22.48%	**M = K + L**
Total Income Taxes						**$ 195,985**	**N = A * M**
Investment Tax Credits						$ 8,909	**O**
Miscellaneous Tax Credits						$ 109,153	**P**
Total Tax Credits						**$ 118,062**	**Q = O + P**
Corporate PILs/Income Tax Provision for Historical Year						**$ 77,923**	**R = N - Q**

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 8 CCA - Bridge Year

Class	Class Description	UCC Regulated Historical Year	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
1	Distribution System - post 1987	$ 56,259,372			$ 56,259,372	$ -	$ 56,259,372	4%	$ 2,250,375	$ 54,008,997
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ -			$ -	$ -	$ -	6%	$ -	$ -
2	Distribution System - pre 1988	$ 3,633,291			$ 3,633,291	$ -	$ 3,633,291	6%	$ 217,997	$ 3,415,294
8	General Office/Stores Equip	$ 1,666,790	$ 526,500		$ 2,193,290	$ 263,250	$ 1,930,040	20%	$ 386,008	$ 1,807,282
10	Computer Hardware/ Vehicles	$ 2,705,841	$ 672,000		$ 3,377,841	$ 336,000	$ 3,041,841	30%	$ 912,552	$ 2,465,289
10.1	Certain Automobiles				$ -	$ -	$ -	30%	$ -	$ -
12	Computer Software	$ 57,371	$ 737,966		$ 795,337	$ 368,983	$ 426,354	100%	$ 426,354	$ 368,983
13 1	Lease # 1				$ -	$ -	$ -		$ -	$ -
13 2	Lease #2				$ -	$ -	$ -		$ -	$ -
13 3	Lease # 3				$ -	$ -	$ -		$ -	$ -
13 4	Lease # 4				$ -	$ -	$ -		$ -	$ -
14	Franchise				$ -	$ -	$ -		$ -	$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	$ 282,408			$ 282,408	$ -	$ 282,408	8%	$ 22,593	$ 259,815
42	Fibre Optic Cable				$ -	$ -	$ -	12%	$ -	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment				$ -	$ -	$ -	30%	$ -	$ -
43.2	Certain Clean Energy Generation Equipment				$ -	$ -	$ -	50%	$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 2,832			$ 2,832	$ -	$ 2,832	45%	$ 1,274	$ 1,558
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)				$ -	$ -	$ -	30%	$ -	$ -
47	Distribution System - post February 2005	$ 48,060,734	$ 11,049,193		$ 59,109,927	$ 5,524,596	$ 53,585,330	8%	$ 4,286,826	$ 54,823,100
50	Data Network Infrastructure Equipment - post Mar 2007	$ 364,650	$ 302,295		$ 666,945	$ 151,148	$ 515,798	55%	$ 283,689	$ 383,256
52	Computer Hardware and system software				$ -	$ -	$ -	100%	$ -	$ -
95	CWIP				$ -	$ -	$ -		$ -	$ -
3	Buildings acquired before 1988	$ 1,275,277			$ 1,275,277	$ -	$ 1,275,277	5%	$ 63,764	$ 1,211,513
1b	Buildings > 18-03-07	$ 4,969,771	$ 1,500,485		$ 6,470,256	$ 750,243	$ 5,720,014	6%	$ 343,201	$ 6,127,055
1b	Buildings > 18-03-07	$ 2,425,531			$ 2,425,531	$ -	$ 2,425,531	6%	$ 145,532	$ 2,279,999
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
					$ -	$ -	$ -		$ -	$ -
	TOTAL	$ 121,703,868	$ 14,788,439	$ -	$ 136,492,307	$ 7,394,219	$ 129,098,087		$ 9,340,165	$ 127,152,142

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filer

Schedule 10 CEC - Bridge Year

Cumulative Eligible Capital				**976,507**
Additions				
Cost of Eligible Capital Property Acquired during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**976,507**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**976,507**
Current Year Deduction		**976,507**	**x 7% =**	**68,356**
Cumulative Eligible Capital - Closing Balance				**908,152**

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 13 Tax Reserves - Bridge Year

Continuity of Reserves

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filer

Corporation Loss Continuity and Application

Schedule 7-1 Loss Carry Forward - Bridge Year

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

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Adjusted Taxable Income - Bridge Year

	T2S1 line #	Total for Regulated Utility
Income before PILs/Taxes	**A**	3,715,712
Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets	104	
Amortization of intangible assets	106	5,678,060
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves deducted in prior year	125	0
Reserves from financial statements- balance at end of year	126	0
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	

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Income Tax/PILs Workform for 2015 Filers

Adjusted Taxable Income - Bridge Year

Other Additions		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
	294	
	295	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		8,909
Change in Employee Benefits		20,994
Previous years Ontario apprenticeship tax credits claimed		109,153
Change in regulatory variance accounts		0
Total Additions		**5,817,116**
Deductions:		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	9,340,165
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10	405	68,356
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves claimed in current year	413	0
Reserves from financial statements - balance at beginning of year	414	0
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Adjusted Taxable Income - Bridge Year

Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Apprenticeship credits included in FS income		111,027
Total Deductions		**9,519,548**
Net Income for Tax Purposes		**13,280**
Charitable donations from Schedule 2	311	
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	
Non-capital losses of preceding taxation years from Schedule 4	331	0
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
TAXABLE INCOME		**13,280**

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

PILS Tax Provision - Bridge Year

						Wires Only	
Regulatory Taxable Income						$ 13,280	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	4.50%	**B**	$ 598	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ -	**D**				
	Rate reduction	-7.00%	**E**	$ -	**F = D * E**		
Ontario Income tax						$ 598	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			4.50%	**K = J / A**		
	Federal tax rate (Maximum 15%)			11.00%	**L**		
	Combined tax rate					15.50%	**M = K + L**
Total Income Taxes						**$ 2,058**	**N = A * M**
Investment Tax Credits						$ 7,329	**O**
Miscellaneous Tax Credits						$ 103,699	**P**
Total Tax Credits						**$ 111,028**	**Q = O + P**
Corporate PILs/Income Tax Provision for Bridge Year						**$ -**	**R = N - Q**

Note:

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 8 CCA - Test Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	$ 54,008,997			$ 54,008,997	$ -	$ 54,008,997	4%	$ 2,160,360	$ 51,848,637
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ -			$ -	$ -	$ -	6%	$ -	$ -
2	Distribution System - pre 1988	$ 3,415,294			$ 3,415,294	$ -	$ 3,415,294	6%	$ 204,918	$ 3,210,376
8	General Office/Stores Equip	$ 1,807,282	310,627		$ 2,117,909	$ 155,313	$ 1,962,595	20%	$ 392,519	$ 1,725,389
10	Computer Hardware/ Vehicles	$ 2,465,289	698,878		$ 3,164,167	$ 349,439	$ 2,814,728	30%	$ 844,418	$ 2,319,748
10.1	Certain Automobiles	$ -			$ -	$ -	$ -	30%	$ -	$ -
12	Computer Software	$ 368,983	368,740		$ 737,723	$ 184,370	$ 553,353	100%	$ 553,353	$ 184,370
13 1	Lease # 1	$ -			$ -	$ -	$ -		$ -	$ -
13 2	Lease #2	$ -			$ -	$ -	$ -		$ -	$ -
13 3	Lease # 3	$ -			$ -	$ -	$ -		$ -	$ -
13 4	Lease # 4	$ -			$ -	$ -	$ -		$ -	$ -
14	Franchise	$ -			$ -	$ -	$ -		$ -	$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bl	$ 259,815			$ 259,815	$ -	$ 259,815	8%	$ 20,785	$ 239,030
42	Fibre Optic Cable	$ -			$ -	$ -	$ -	12%	$ -	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment	$ -			$ -	$ -	$ -	30%	$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -	$ -	50%	$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 1,558			$ 1,558	$ -	$ 1,558	45%	$ 701	$ 857
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	$ -			$ -	$ -	$ -	30%	$ -	$ -
47	Distribution System - post February 2005	$ 54,823,100	10,350,575		$ 65,173,676	$ 5,175,288	$ 59,998,388	8%	$ 4,799,871	$ 60,373,805
50	Data Network Infrastructure Equipment - post Mar 2007	$ 383,256	240,248		$ 623,504	$ 120,124	$ 503,380	55%	$ 276,859	$ 346,645
52	Computer Hardware and system software	$ -			$ -	$ -	$ -	100%	$ -	$ -
95	CWIP	$ -			$ -	$ -	$ -	0%	$ -	$ -
3	Buildings acquired before 1988	$ 1,211,513			$ 1,211,513	$ -	$ 1,211,513	5%	$ 60,576	$ 1,150,937
1b	Buildings > 18-03-07	$ 6,127,055			$ 6,127,055	$ -	$ 6,127,055	6%	$ 367,623	$ 5,759,432
1b	Buildings > 18-03-07	$ 2,279,999	44,000		$ 2,323,999	$ 22,000	$ 2,301,999	6%	$ 138,120	$ 2,185,879
		$ -			$ -	$ -	$ -	0%	$ -	$ -
		$ -			$ -	$ -	$ -	0%	$ -	$ -
		$ -			$ -	$ -	$ -	0%	$ -	$ -
		$ -			$ -	$ -	$ -	0%	$ -	$ -
		$ -			$ -	$ -	$ -	0%	$ -	$ -
		$ -			$ -	$ -	$ -	0%	$ -	$ -
		$ -			$ -	$ -	$ -	0%	$ -	$ -
	TOTAL	$ 127,152,142	$ 12,013,068	$ -	$ 139,165,210	$ 6,006,534	$ 133,158,676		$ 9,820,103	$ 129,345,106

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital				**908,152**
Additions				
Cost of Eligible Capital Property Acquired during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**908,152**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**908,152**
Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")		**908,152**	**x 7% =**	**63,571**
Cumulative Eligible Capital - Closing Balance				**844,581**

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 13 Tax Reserves - Test Year

Continuity of Reserves

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

Schedule 7-1 Loss Carry Forward - Test Year

Corporation Loss Continuity and Application

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

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

Ontario Energy Board

Income Tax/PILs Workform for 2015 Fi

Taxable Income - Test Year

		Test Year Taxable Income
Net Income Before Taxes		5,382,445

	T2 S1 line #	
Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets *2-4 ADJUSTED ACCOUNTING DATA P489*	104	
Amortization of intangible assets *2-4 ADJUSTED ACCOUNTING DATA P490*	106	4,936,879
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	0
Reserves from financial statements- balance at end of year	126	0
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	

Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Other Additions: (please explain in detail the nature of the item)		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
	294	
	295	
	296	
	297	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		7,329
Change in Regulatory variance accounts		0
Change in Employee future benefits		101,909
Previous years Ontario apprenticeship tax credit claimed		103,699
Total Additions		**5,149,816**
Deductions:		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	9,820,103
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10 CEC	405	63,571
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves end of year	413	0
Reserves from financial statements - balance at beginning of year	414	0
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		
Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	

Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
	395	
	396	
	397	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Apprenticeship credits included in FS income		81,003
Total Deductions		**9,964,677**
NET INCOME FOR TAX PURPOSES		**567,584**
Charitable donations	311	
Taxable dividends received under section 112 or 113	320	
Non-capital losses of preceding taxation years from Schedule 7-1	331	0
Net-capital losses of preceding taxation years (Please show calculation)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
REGULATORY TAXABLE INCOME		**567,584**

Ontario Energy Board

Income Tax/PILs Workform for 2015 Filers

PILs Tax Provision - Test Year

						Wires Only	
Regulatory Taxable Income						$ 567,584	A
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	B	$ 65,272	C = A * B		
Small business credit	Ontario Small Business Threshold	$ 500,000	D				
	Rate reduction	-7.00%	E	-$ 35,000	F = D * E		
Ontario Income tax						$ 30,272	J = C + F
Combined Tax Rate and PILs	Effective Ontario Tax Rate			5.33%	K = J / A		
	Federal tax rate (Maximum 15%)			15.00%	L		
	Combined tax rate					20.33%	M = K + L
Total Income Taxes						**$ 115,410**	N = A * M
Investment Tax Credits						$ 6,208	O
Miscellaneous Tax Credits						$ 74,795	P
Total Tax Credits						**$ 81,003**	Q = O + P
Corporate PILs/Income Tax Provision for Test Year						**$ 34,407**	R = N - Q
Corporate PILs/Income Tax Provision Gross Up [1]				79.67%	S = 1 - M	**$ 8,782**	T = R / S - R
Income Tax (grossed-up)						**$ 43,189**	U = R + T

Note:

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

Supporting Documentation

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

Income before PILS/Taxes

NPEI's net income after taxes in 2013 was $1,458,179. Included in this net income is depreciation expense related to the FMV (fair market value) bump on assets from the merger between Niagara Falls Hydro Inc. and Peninsula West Utilities Limited back in 2008. For purposes of PILS calculation and for rate making purposes this amount of $1,132,277 is excluded (i.e. added back). Also, added back to net income is the current and future provisions for income taxes which amounted to $596,931 in 2013. Therefore, Income before PILS/taxes on sheet G is $3,187,387 (1,458,179 + 1,132,277 + 596,931).

NPEI's net income after taxes for the 2014 Bridge Year is $3,715,716. See Table 4-15 below for the calculation of the 2014BY net income after taxes.

Table 4-15 2014BY Net Income after Taxes for PILS model

X11 Profit & Loss Trend

Account Grouping	2014 Projection
3000-Sales of Electricity	136,195,856
3050-Revenues From Services - Distribution	30,893,240
3100-Other Operating Revenues	1,226,737
3150-Other Income & Deductions	(3,196,763)
3200-Investment Income	120,000
3350-Power Supply Expenses	(136,195,856)
Net Revenues	29,043,214
3500-Distribution Expenses - Operation	4,299,653
3550-Distribution Expenses - Maintenance	2,336,691
3650-Billing and Collecting	6,193,597
3700-Community Relations	85,525
3800-Administrative and General Expenses	4,060,709
3950-Taxes Other Than Income Taxes	281,600
OM&A Expenses	17,257,775
3850-Amortization Expense	5,404,910
Earnings Before Interest & Taxes	6,380,528
3900-Interest Expense	2,664,812
Earnings Before Tax	3,715,716
4000-Income Taxes	
Net Income excluding Extraordinary Items	3,715,716
4100-Extraordinary & Other Items	
Net Income	**3,715,716**

Distribution revenue included in Table 4-15 above for 2014 is the weather normalized projected distribution revenue. Also, NPEI has included the revenues related to the smart meter adjustment made in 2014 as well as the SMDR and SMIRR rate rider revenues projected for 2014. The projected regulatory debit for accounting policy change in depreciation lives is included in the above calculation for 2014 BY net income.

Net income before Taxes for the 2015 Test Year in the PILS model is equal to the calculated Rate of return on Rate Base $5,382,446 per Sheet A of the PILS model.

Amortization of Tangible Assets

Depreciation expense for 2013 totaled $5,321,041 excluding depreciation expense on FMV adjustment to fixed assets. Depreciation expense per OEB appendix 2-BA continuity schedule for 2013 is $5,055,099. The difference of $265,942 is related stranded meter depreciation expense which is not included on Appendix 2-BA because it is included in regulatory assets in Exhibit 9.

Depreciation expense for 2014 totals $5,678,056 and for 2015 totals $4,936,879 on Sheet M and Sheet S respectively of the PILS model. Both 2014 and 2015 depreciation expense per the PILS model agree to depreciation expense on OEB Appendix 2-BA.

Other Additions

Previous years apprenticeship tax credit and Inducement – ITA 12(1)(x)-ITC credits claimed are also added back to Adjusted Taxable Income for the 2013 historical year, the 2014BY and 2015 TY. See the next section titled Tax Credits for details of the Ontario apprenticeship tax credit and federal investment tax credit related to apprentices.

The Change in Employee Future Benefits is added back in the PILS calculation for the 2013 historical year, 2014 BY and 2015TY.

The Change in Regulatory variance accounts amounted to $879,966 in 2013 and was included in the Adjustment for taxable income. In 2014BY and 2015TY the filing requirements state that Regulatory assets (and regulatory liabilities) should generally be excluded from PILS calculations both when they were created, and when they were collected, regardless of the actual tax treatment accorded those amounts. Therefore, NPEI has excluded any change in regulatory variances from the 2014BY and 2015TY in the PILS model.

CCA and CEC deductions included in the PILS calculations for 2013 to 2015 are as per the detailed schedules included in the PILS model E4/T5/S1/Att1.

Attachment 1 of 1

Notice of Assessment 2012 and Reassessments for 2009, 2010 and 2011 and 2013 Tax Returns

Ontario

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

HPL - tL059

0000008

NIAGARA PENINSULA ENERGY INC.
ATTENTION: C/O SUZANNE WILSON
7447 PIN OAK DR
NIAGARA FALLS ON L2E 6S9

Issue Date	08-Jul-2013
Business No.	871969127TW0001
Reference No.	L1557760064

Notice of Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

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

Period Ending: 31-Dec-2012	**Return As Filed**
Total Federal Tax	$513,126.00
Total Ontario Tax	$303,856.00
Total Credits	($106,351.00)
Loss Carry-back	$0.00
Total Tax Payable	$710,631.00
Interest	$0.00
Current Penalty	$0.00
Credits/Payments	($710,631.00)
Total Assessment	**$0.00**

As of 08-Jul-2013, including the amount assessed above, you have an overall credit balance on your account of ($588,733.00).

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

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

Ministry use only

Ontario

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

HPL - tL059

NIAGARA PENINSULA ENERGY INC.
ATTENTION: C/O SUZANNE WILSON
7447 PIN OAK DR
NIAGARA FALLS ON L2E 6S9

Issue Date	01-Oct-2013
Business No.	871969127TW0001
Reference No.	L1394554944

Notice of Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

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

Period Ending: 31-Dec-2012	**Return As Filed**
Total Federal Tax	$513,126.00
Total Ontario Tax	$303,856.00
Total Credits	($106,351.00)
Loss Carry-back	$0.00
Total Tax Payable	$710,631.00
Interest	$0.00
Current Penalty	$0.00
Credits/Payments	($710,631.00)
Total Assessment	**$0.00**

As of 01-Oct-2013, including the amount assessed above, you have an overall credit balance on your account of ($570,589.01).

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

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

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

HPL - tL060

0000001

NIAGARA PENINSULA ENERGY INC.
ATTENTION: C/O SUZANNE WILSON
7447 PIN OAK DR
NIAGARA FALLS ON L2E 6S9

Issue Date	01-Oct-2013
Business No.	871969127TW0001
Reference No.	L0320813120

Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

We have received and processed your return for the period ending 31-Dec-2011. Based on the information provided, your return has been corrected as follows:

	Previous	Revised	
Total Federal Tax	$91,078.00	$91,078.00	-0-
Total Ontario Tax	$0.00	$98,662.00	98,662
Total Credits	$0.00	($58,882.00)	(58,882)
Loss Carry-back	$0.00	$0.00	
Total Tax Payable	$130,858.00	$130,858.00	39,780
Interest		$1.79	1.79
Current Penalty		$0.00	
Credits/Payments		($130,859.79)	39,781.79
Total Assessment		**$0.00**	

As of 01-Oct-2013, including the amount assessed above, you have an overall credit balance on your account of ($570,589.01).

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

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

Ministry use only

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

HPL - tL060

NIAGARA PENINSULA ENERGY INC.
ATTENTION: C/O SUZANNE WILSON
7447 PIN OAK DR
NIAGARA FALLS ON L2E 6S9

Issue Date	01-Oct-2013
Business No.	871969127TW0001
Reference No.	L1662990400

Audit Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

An audit re-assessment has been processed to your account as indicated below:

Audit Period: 31-Dec-2010

	Previous	Revised	Δ
Total Federal Tax	$1,165,225.00	$1,164,206.00	(1,019)
Total Ontario Tax	$932,866.00	$937,796.00	4930
Total Credits	($58,780.00)	($58,780.00)	
Loss Carry-back	$0.00	$0.00	
Total Tax Payable	$2,039,311.00	$2,043,222.00	3911
Interest		$23.41	23.41
Current Penalty		$0.00	
Credits/Payments		($2,043,245.41)	3934.41
Total Assessment		**$0.00**	

As of 01-Oct-2013, including the amount assessed above, you have an overall credit balance on your account of ($570,589.01).

If you do not agree with this Notice of Re-Assessment you have the right to serve a Notice of Objection on the minister within 180 days of the mailing date of this form. Any amounts that are outstanding as a result of this Notice of Re-Assessment are due and payable even if you have filed, or intend to file, a Notice of Objection. A Notice of Objection may be obtained through the contacts below. If your objection is successful, you will be refunded any overpayment of taxes with interest from the dates the payments were made.

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

Ministry use only

Ontario

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

Issue Date	01-Oct-2013
Business No.	871969127TW0001
Reference No.	L0589248576

HPL - tL060

NIAGARA PENINSULA ENERGY INC.
ATTENTION: C/O SUZANNE WILSON
7447 PIN OAK DR
NIAGARA FALLS ON L2E 6S9

Audit Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

An audit re-assessment has been processed to your account as indicated below:

Audit Period: 31-Dec-2009

	Previous	**Revised**	Δ
Total Federal Tax	$1,437,086.00	$1,433,825.00	(3261)
Total Ontario Tax	$1,318,956.00	$1,333,719.00	14763
Total Credits	($39,937.00)	($39,937.00)	
Loss Carry-back	$0.00	$0.00	
Total Tax Payable	$2,716,105.00	$2,727,607.00	11,502
Interest		$3,729.87	3729.87
Current Penalty		$0.00	
Credits/Payments		($2,731,336.87)	15,231.87
Total Assessment		**$0.00**	

As of 01-Oct-2013, including the amount assessed above, you have an overall credit balance on your account of ($570,589.01).

If you do not agree with this Notice of Re-Assessment you have the right to serve a Notice of Objection on the minister within 180 days of the mailing date of this form. Any amounts that are outstanding as a result of this Notice of Re-Assessment are due and payable even if you have filed, or intend to file, a Notice of Objection. A Notice of Objection may be obtained through the contacts below. If your objection is successful, you will be refunded any overpayment of taxes with interest from the dates the payments were made.

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

Ministry use only

Ministry of Finance
Audit Branch

Suite 200 - 5 Park Home Avenue
North York ON M2N 6L4
Tel.: 905-837-5201
Fax: 416 218-3276

Ministère des Finances
Direction de la Vérification

Bureau 200 - 5, avenue Park Home
North York ON M2N 6L4
Tél. : 416-837-5201
Téléc. : 416 218-3276

Ontario

June 27,2013

SUMMARY OF PROPOSED AUDIT ADJUSTMENTS

Suzanne Wilson,Vice President,Finance
Niagara Peninsula Energy Inc.
7447 Pin Oak Drive,Box 120
Niagara Falls,Ontario L2E 6S9

Re: Niagara Peninsula Energy Inc.
Account Number: 1800406
Taxation Years: December 31,2009 & 2010

In connection with the Ontario & Federal income and capital tax audit of Niagara Peninsula Energy Inc. for the December 31,2009 & 2010 taxation years,we have set out below our proposed audit adjustments.

Capital tax adjustment:

1.Regulatory Liabilities:

The Regulatory Liabilities per the 2009 & 2010 Y/E B/S should be added back to taxable capital as follows:

2010 $ 7,616,488
2009 $ 7,629,013

If you have any questions with respect to the above adjustment please contact me.
I will delay issuing reassessments for a period of 30 days.

Yours truly,

Alan T. Ogle
Electricity tax unit

Ministry of Finance
Audit Branch

Suite 200 - 5 Park Home Avenue
North York ON M2N 6L4
Tel.: 905-837-5201
Fax: 416 218-3276

Ministère des Finances
Direction de la Vérification

Bureau 200 - 5, avenue Park Home
North York ON M2N 6L4
Tél. : 416-837-5201
Téléc. : 416 218-3276

Ontario

September 16,2013

Suzanne Wilson,Vice President,Finance
Niagara Peninsula Energy Inc.
7447 Pin Oak Drive,Box 120
Niagara Falls,Ontario L2E 6S9

Dear Ms. Wilson:

Re: Niagara Peninsula Energy Inc.
Account Number: 1800406
Taxation Years: December 31,2009 & 2010

Our review of the tax returns for the years noted above is now completed.

Attached are Statement of Adjustments for the years 2009 & 2010 reflecting the changes in your tax liability.

A notice of reassessment is being mailed under separate cover for each year being reassessed.

Yours truly,

Alan T. Ogle
Electricity tax unit

Ministry of Finance
Audit Branch
Suite 200 - 5 Park Home Avenue
North York ON M2N 6W8
Tel.: 416-730-5502
Fax: 416 218-3276

Ministère des Finances
Direction de la vérification
Bureau 200 - 5, avenue Park Home
North York ON M2N 6W8
Tél. : 416-730-5502
Téléc. : 416 218-3276

Ontario

Statement of Adjustments re Taxes Assessed / Relevé des redressements de cotisations

Name of Corporation/ Raison sociale de la compagnie
Niagara Peninsula Energy Inc.

Account No/ N de compte
1800406

Taxation Year end/ Fin de l'année d"imposition
31st December 2010

Income Tax	**Federal**	**Ontario**
Taxable income previously assessed	$ 6,514,647	$ 6,514,647
Deduct:		
Additional capital tax reassessed	5,666	5,666
Revised Taxable Income	$ 6,508,981	$ 6,508,981
Revised Federal Income Tax		
Part I tax @ 38.0%	$ 2,473,413	
Federal tax abatement @ 10.0%	(650,898)	
General tax reduction for CCPC's @ 10.0%	(650,898)	
Investment tax credit	(7,411)	
Federal Income Tax Payable		$ 1,164,206
Revised Ontario Income Tax		
As per Schedule 2		786,853
Revised Ontario Capital Tax		
As per Schedule 1		92,163
Total Payments In Lieu of Taxes		$ 2,043,222

A.T.Ogle

Schedule1

Niagara Peninsula Energy Inc.
Account No. 1800406

Fiscal year ended: 31 December,2010

Revised Ontario Capital Tax

Capital for the year as previously assessed	$ 131,142,754
Add:	
Regulatory liabilities	7,616,488
	138,759,242
Deduct:	
Investment allowance	23,499
Revised taxable capital	138,735,743
Deduct:	
Capital deduction	14,833,691
	123,902,052
Capital tax thereon @ 181/365 X .15%	$ 92,163

A.T. Ogle

Schedule2

Niagara Peninsula Energy Inc.
Account No. 1800406

Fiscal year ended: 31 December,2010

Revised Ontario Income Tax

Revised Taxable Income	$ 6,508,981
Tax thereon @ 12.99179%	$ 845,633
Add:	
Corporate surtax	39,979
Deduct:	
I.D.S.B	39,979
Co-operative education tax credit	3,795
Apprenticeship training tax credit	54,985
Ontario Income Tax Payable	$ 786,853

A.T.Ogle

Ministry of Finance
Audit Branch
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North York ON M2N 6W8
Tel.: 416-730-5502
Fax: 416 218-3276

Ministère des Finances
Direction de la vérification
Bureau 200 - 5, avenue Park Home
North York ON M2N 6W8
Tél. : 416-730-5502
Téléc. : 416 218-3276

Ontario

Statement of Adjustments re Taxes Assessed / Relevé des redressements de cotisations

Name of Corporation/ Raison sociale de la compagnie
Niagara Peninsula Energy Inc.

Account No/ N de compte
1800406

Taxation Year end/ Fin de l'année d"imposition
31st December 2009

	Federal	Ontario
Income Tax		
Taxable income previously assessed	$ 7,621,710	$ 7,621,710
Deduct: Additional capital tax reassessed	17,166	17,166
Revised Taxable Income	$ 7,604,544	$ 7,604,544
Revised Federal Income Tax		
Part I tax @ 38.0%	$ 2,889,727	
Federal tax abatement @ 10.0%	(760,454)	
General tax reduction for CCPC's @ 10.0%	(684,409)	
Investment tax credit	(11,039)	
Federal Income Tax Payable		$ 1,433,825
Revised Ontario Income Tax		
As per Schedule 2		1,024,699
Revised Ontario Capital Tax		
As per Schedule 1		269,083
Total Payments In Lieu of Taxes		$ 2,727,607

A.T.Ogle

<u>**Schedule1**</u>

Niagara Peninsula Energy Inc.
Account No. 1800406

Fiscal year ended: 31 December,2009

<u>**Revised Ontario Capital Tax**</u>

Capital for the year as previously assessed	$ 126,824,751
<u>Add:</u>	
Regulatory liabilities	7,629,013
	134,453,764
<u>Deduct:</u>	
Investment allowance	30,068
Revised taxable capital	134,423,696
<u>Deduct:</u>	
Capital deduction	14,831,406
	119,592,290
Capital tax thereon @ .225%	$ 269,083

A.T. Ogle

Schedule2

Niagara Peninsula Energy Inc.
Account No. 1800406

Fiscal year ended: 31 December,2009

Revised Ontario Income Tax

Revised Taxable Income	$7,604,544
Tax thereon @ 14.0%	$ 1,064,636
Add:	
Corporate surtax	42,500
Deduct:	
I.D.S.B	42,500
Apprenticeship training tax credit	39,937
Ontario Income Tax Payable	$ 1,024,699

A.T.Ogle

Crawford, Smith and Swallow
Chartered Accountants LLP

4741 Queen Street
Niagara Falls, Ontario
L2E 2M2
Telephone (905) 356-4200
Telecopier (905) 356-3410

Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

crawford smith & swallow

June 13, 2014

PERSONAL AND CONFIDENTIAL

Ms SUZANNE WILSON
VICE PRESIDENT FINANCE
NIAGARA PENINSULA ENERGY INC.
7447 PIN OAK DRIVE
NIAGARA FALLS ON L2E 6S9

Ms WILSON,

Corporate Tax Return Filing Instructions

Federal tax instalments (monthly)

Due date	Amount
2014-01-31	$6,494
2014-02-28	$6,494
2014-03-31	$6,494
2014-04-30	$6,494
2014-05-31	$6,494
2014-06-30	$6,494
2014-07-31	$6,494
2014-08-31	$6,494
2014-09-30	$6,494
2014-10-31	$6,494
2014-11-30	$6,494
2014-12-31	$6,490
Total	$77,924

Please forward Notices of Assessment or Reassessment to us immediately upon receipt so that we can review them in a timely manner.

If you have any questions about your corporate tax returns, please do not hesitate to contact us at your convenience.

Crawford Smith and Swallow

Federal Tax Instalments

Federal tax instalments

For the taxation year ended 2014-12-31

Business number 87196 9127 RC0001

The following is a list of federal instalments payable for the current taxation year. The last column indicates the instalments payable to Revenue Canada. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Receiver General. Payment may be made by cheque or money order payable to the Receiver General either to an authorized financial institution or filed with **the appropriate remittance voucher to the following address**:

Canada Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1

Note that you may also be able to pay by telephone or Internet banking. For more information, consult the *Corporation Instalment Guide*.

Monthly instalment workchart

Date	Monthly tax instalments	Refund transferred to instalments	Instalments paid	Cumulative difference	Instalments payable
2014-01-31	6,494				6,494
2014-02-28	6,494				6,494
2014-03-31	6,494				6,494
2014-04-30	6,494				6,494
2014-05-31	6,494				6,494
2014-06-30	6,494				6,494
2014-07-31	6,494				6,494
2014-08-31	6,494				6,494
2014-09-30	6,494				6,494
2014-10-31	6,494				6,494
2014-11-30	6,494				6,494
2014-12-31	6,490				6,490
Totals	77,924				77,924

Canada Revenue Agency Agence du revenu du Canada

INFORMATION RETURN FOR CORPORATIONS FILING ELECTRONICALLY

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

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

Part A – Identification

Name of corporation
NIAGARA PENINSULA ENERGY INC.

Business Number	Tax year	From Y M D	To Y M D
87196 9127 RC0001		2013-01-01	2013-12-31

Part B – Declaration

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

Net income or (loss) for income tax purposes from Schedule 1, financial statements or GIFI (line 300)	871,642
Part I tax payable (line 700)	121,838
Part II surtax payable (line 708)	
Part III.1 tax payable (line 710)	
Part IV tax payable (line 712)	
Part IV.1 tax payable (line 716)	
Part VI tax payable (line 720)	
Part VI.1 tax payable (line 724)	
Part XIV tax payable (line 728)	
Net provincial and territorial tax payable (line 760)	
Provincial tax on large corporations (line 765)	

Part C – Certification and authorization

I, WILSON (Last name in block letters) SUZANNE (First name in block letters) VICE PRESIDENT FINANCE (Position, office, or rank),

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

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

2014-06-13		(905) 356-2681
Date (yyyy/mm/dd)	Signature of an authorized signing officer of the corporation	Telephone number

Part D – Transmitter identification

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

Name of person or firm: Crawford Smith and Swallow   Electronic filer number: A4253

Privacy Act, Personal Information Bank number CRA PPU 047

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 87196 9127 RC0001

Corporation's name
002 NIAGARA PENINSULA 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 7447 PIN OAK DRIVE
012
015 City: NIAGARA FALLS
016 Province, territory, or state: ON
017 Country (other than Canada):
018 Postal code/Zip code: L2E 6S9

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

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 7447 PIN OAK DRIVE
032
035 City: NIAGARA FALLS
036 Province,territory, or state: ON
037 Country (other than Canada):
038 Postal code/Zip code: L2E 6S9

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?
060 Tax year start: 2013-01-01 (YYYY MM DD)
061 Tax year-end: 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 ï 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	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205	X	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206		6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	207		7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232		T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	———
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	———
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Attachments – continued from page 2

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

Additional information

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

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

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

	Product or service		%
284	ELECTRICITY	285	100.000 %
286		287	%
288		289	%

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

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

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

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.			300	871,642	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				
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			▶		B
Subtotal (amount A **minus** amount B) (if negative, enter "0")				871,642	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions			355		D
Taxable income (amount C **plus** amount D)			360	871,642	
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)				871,642	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	871,642	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	871,642	B
Business limit (see notes 1 and 2 below)	410	500,000	C

Notes:

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

Business limit reduction:

Amount C 500,000 x 415 ***** 300,384 / 11,250 D = 13,350,400 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*			871,642	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")			871,642	I

Amount I	871,642	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	871,642	x	Number of days in the tax year after December 31, 2011 / Number of days in the tax year	365 / 365	x	13 %	= 113,313	K

General tax reduction for Canadian-controlled private corporations ï Amount J **plus** amount K . . . . 113,313 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 ï 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			871,642	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

	871,642	K	
	x 26 2 / 3 % =	232,438	L
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 from page 8)		121,838	M
Refundable portion of Part I tax ï 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 ï Amount O **plus** amount R	485			

Dividend refund

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

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3	1,200,000	x 1 / 3 =	400,000	S
Refundable dividend tax on hand at the end of the tax year from line 485 above				T
Dividend refund ï 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 ï Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38 %		550	331,224	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	871,642		
Deduct: Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Net amount	871,642 ▶	871,642	ii

Refundable tax on CCPC's investment income ï 6 2 / 3 % of whichever is less: amount i or ii	604		C
Subtotal (**add** amounts A to C)		331,224	D

Deduct:

Small business deduction from line 430 on page 4			1
Federal tax abatement	608	87,164	
Manufacturing and processing profits deduction from Schedule 27	616		
Investment corporation deduction	620		
Taxed capital gains 624			
Additional deduction ï 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	113,313	
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	8,909	
Subtotal		209,386 ▶	209,386 E

Part I tax payable ï Amount D **minus** amount E	121,838	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	121,838
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		121,838

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		121,838 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780		
Dividend refund from page 6	784		
Federal capital gains refund from Schedule 18	788		
Federal qualifying environmental trust tax credit refund	792		
Canadian film or video production tax credit refund (Form T1131)	796		
Film or video production services tax credit refund (Form T1177)	797		
Tax withheld at source	800		
Total payments on which tax has been withheld	801		
Provincial and territorial capital gains refund from Schedule 18	808		
Provincial and territorial refundable tax credits from Schedule 5	812	43,914	
Tax instalments paid	840	1,488,733	
Total credits	890	1,532,647	1,532,647 B

Refund code 894 1 Overpayment 1,410,809

Balance (amount A **minus** amount B) -1,410,809

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 A4253

Certification

I, 950 WILSON (Last name (print)) 951 SUZANNE (First name (print)) 954 VICE PRESIDENT FINANCE (Position, office, or rank),

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

955 2014-06-13 Date (yyyy/mm/dd) ______ Signature of the authorized signing officer of the corporation 956 (905) 356-2681 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 ______ Name (print) 959 ______ Telephone number

Language of correspondence – Langue de correspondance

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

Privacy Act, Personal Information Bank number CRA PPU 047

Schedule of Instalment Remittances

Name of corporation contact
Telephone number

Effective interest date	Description (instalment remittance, split payment, assessed credit)	Amount of credit
	Instalment	900,000
	2012 balance CF	588,733
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Instalment	
	Total amount of instalments claimed (carry the result to line 840 of the T2 Return)	1,488,733 **A**
	Total instalments credited to the taxation year per T9	1,488,733 **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
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

Balance sheet information

Account	Description	GIFI		Current year	Prior year
	Assets				
	Total current assets	1599	+	43,699,258	40,551,779
	Total tangible capital assets	2008	+	248,152,077	119,863,657
	Total accumulated amortization of tangible capital assets	2009	ï	121,894,339	
	Total intangible capital assets	2178	+		
	Total accumulated amortization of intangible capital assets	2179	ï		
	Total long-term assets	2589	+		
	* Assets held in trust	2590	+		
	Total assets (mandatory field)	2599	=	169,956,996	160,415,436
	Liabilities				
	Total current liabilities	3139	+	24,965,614	28,681,530
	Total long-term liabilities	3450	+	61,697,870	48,698,574
	* Subordinated debt	3460	+		
	* Amounts held in trust	3470	+		
	Total liabilities (mandatory field)	3499	=	86,663,484	77,380,104
	Shareholder equity				
	Total shareholder equity (mandatory field)	3620	+	83,293,512	83,035,332
	Total liabilities and shareholder equity	3640	=	169,956,996	160,415,436
	Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849	=	26,588,423	26,330,243

* 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
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

Income statement information

Description	GIFI	
Operating name	0001	NIAGARA FALLS HYDRO INC.
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	+	157,101,865	148,824,434
	Cost of sales	8518	ï	130,559,982	121,234,036
	Gross profit/loss	8519	=	26,541,883	27,590,398
	Cost of sales	8518	+	130,559,982	121,234,036
	Total operating expenses	9367	+	26,443,085	26,361,037
	Total expenses (mandatory field)	9368	=	157,003,067	147,595,073
	Total revenue (mandatory field)	8299	+	159,058,177	151,024,381
	Total expenses (mandatory field)	9368	ï	157,003,067	147,595,073
	Net non-farming income	9369	=	2,055,110	3,429,308
	Farming income statement information				
	Total farm revenue (mandatory field)	9659	+		
	Total farm expenses (mandatory field)	9898	ï		
	Net farm income	9899	=		
	Net income/loss before taxes and extraordinary items	9970	=	2,055,110	3,429,308
	Total other comprehensive income	9998	=		
	Extraordinary items and income (linked to Schedule 140)				
	Extraordinary item(s)	9975	ï		
	Legal settlements	9976	ï		
	Unrealized gains/losses	9980	+		
	Unusual items	9985	ï		
	Current income taxes	9990	ï	85,936	637,723
	Future (deferred) income tax provision	9995	ï	510,994	40,217
	Total ï Other comprehensive income	9998	+		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999	=	1,458,180	2,751,368

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Schedule 141

Notes checklist

Corporation's name	Business number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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.

SCHEDULE 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 100

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

Assets – lines 1000 to 2599

1000	11,481,267	1060	10,537,974	1062	16,625,610
1120	1,621,583	1400	2,100	1481	1,080,652
1483	1,520,859	1484	829,213	1599	43,699,258
1600	2,088,629	1680	15,349,321	1681	-2,919,407
1740	210,841,858	1741	-105,907,577	1742	19,872,269
1743	-13,067,355	2008	248,152,077	2009	-121,894,339
2599	169,956,996				

Liabilities – lines 2600 to 3499

2620	15,473,626	2860	6,913,022	2920	1,869,628
2960	709,338	3139	24,965,614	3140	52,844,734
3220	746,673	3320	8,106,463	3450	61,697,870
3499	86,663,484				

Shareholder equity – lines 3500 to 3640

3500	31,245,882	3541	25,459,207	3600	26,588,423
3620	83,293,512	3640	169,956,996		

Retained earnings – lines 3660 to 3849

3660	26,330,243	3680	1,458,180	3701	-1,200,000
3849	26,588,423				

SCHEDULE 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

Description

Operating name . . . . **0001** NIAGARA FALLS HYDRO INC.

Sequence number **0003** 01

Revenue – lines 8000 to 8299

8000	157,101,865	**8089**	157,101,865	**8230**	1,956,312
8299	159,058,177				

Cost of sales – lines 8300 to 8519

8320	130,559,982	**8518**	130,559,982	**8519**	26,541,883

Operating expenses – lines 8520 to 9369

8670	6,453,318	**9270**	19,989,767	**9367**	26,443,085
9368	157,003,067	**9369**	2,055,110		

Extraordinary items and taxes – lines 9970 to 9999

9970	2,055,110	**9990**	85,936	**9995**	510,994
9999	1,458,180				

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Net Income (Loss) for Income Tax Purposes

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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				1,458,180	A
Add:					
Provision for income taxes ï current		101	85,936		
Provision for income taxes ï deferred		102	510,994		
Amortization of tangible assets		104	6,453,318		
Subtotal of additions			7,050,248 ▶	7,050,248	
Other additions:					
Miscellaneous other additions:					
600 Change in Employee Future Benefits		290	107,944		
602 Regulatory variance accounts		292	879,966		
603					
Inducement - ITA 12(1)(x)	12,572				
Total	12,572	293	12,572		
604 Previous years apprenticeship tax credit claimed	106,351				
Total	106,351	294	106,351		
Subtotal of other additions		199	1,106,833 ▶	1,106,833	
Total additions		500	8,157,081 ▶	8,157,081	B
Amount A **plus** amount B				9,615,261	
Deduct:					
Capital cost allowance from Schedule 8		403	8,552,056		
Cumulative eligible capital deduction from Schedule 10		405	73,501		
Subtotal of deductions			8,625,557 ▶	8,625,557	
Other deductions:					
Miscellaneous other deductions:					
700 Apprenticeship credits included in FS Income		390	118,062		
704					
Total		394			
Subtotal of other deductions		499	118,062 ▶	118,062	
Total deductions		510	8,743,619 ▶	8,743,619	
Net income (loss) for income tax purposes ï enter on line 300 of the T2 return				871,642	

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. . . . . . ☐

Federal

A	Description	Amount
X	Investment tax credit from apprenticeship job creation expenditures	12,572
X	Investment tax credit from child care spaces expenditures	
	Canadian film or video production tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Film or video production services tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Investment tax credit claimed on contributions made to SR&ED farming organizations	

Ontario

A	Description	Amount
X	Portion of the Ontario research and development tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
	Ontario co-operative education tax credit	
	Ontario apprenticeship training tax credit	106,351
	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

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

SCHEDULE 3

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

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

Part 1 – Dividends received in the tax year

Do not include dividends received from foreign non-affiliates.

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

Columns B, C and D: Complete if payer corporation is connected

Total (enter on line 402 of Schedule 1)

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

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

Columns G and H: Complete if payer corporation is connected

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

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

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

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

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax **320**

Subtotal

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax **330**

Non-capital losses from previous years claimed to reduce Part IV tax **335**

Current-year farm loss claimed to reduce Part IV tax **340**

Farm losses from previous years claimed to reduce Part IV tax **345**

Total losses applied against Part IV tax x 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360**

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

	A	B	C	D	D1
	Name of connected recipient corporation **400**	Business Number **410**	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD (See note) **420**	Taxable dividends paid to connected corporations **430**	Eligible dividends (included in column D)
1	NIAGARA FALLS HYDRO HOLDING CORPORATION	86750 8830 RC0001	2013-12-31	894,000	
2	PENINSULA WEST POWER INC.	89108 9419 RC0001	2013-12-31	306,000	

Note

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

Total 1,200,000

Total taxable dividends paid in the tax year to other than connected corporations **450**

Eligible dividends (included in line 450) 450a

Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above **plus** line 450) **460** 1,200,000

Part 4 – Total dividends paid in the tax year

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

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above) 1,200,000

Other dividends paid in the tax year (total of 510 to 540)

Total dividends paid in the tax year **500** 1,200,000

Deduct:

Dividends paid out of capital dividend account **510**

Capital gains dividends **520**

Dividends paid on shares described in subsection 129(1.2) **530**

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year **540**

Subtotal ►

Total taxable dividends paid in the tax year that qualify for a dividend refund 1,200,000

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Schedule 5

TAX CALCULATION SUPPLEMENTARY – CORPORATIONS

Corporation's name	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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
871,642		871,642	65,239

Ontario basic income tax (from Schedule 500)	270	100,239		
Deduct: Ontario small business deduction (from Schedule 500)	402	35,000		
Subtotal		65,239	65,239	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)			65,239	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")			65,239	E6
Deduct: Ontario research and development tax credit (from Schedule 508)	416			
Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 **minus** amount on line 416) (if negative, enter "0")			65,239	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")			65,239	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)			65,239	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	109,153		
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		109,153	109,153	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		-43,914	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	-43,914

If the amount on line 255 is positive, enter the net provincial and territorial tax payable on line 760 of the T2 return.
If the amount on line 255 is negative, enter the net provincial and territorial refundable tax credits on line 812 of the T2 return.

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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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	Buildings	58,603,512			0		58,603,512	4	0	0	2,344,140	56,259,372
2.	2		3,865,203			0		3,865,203	6	0	0	231,912	3,633,291
3.	3		1,342,397			0		1,342,397	5	0	0	67,120	1,275,277
4.	8	Office Equipment, Tools and Oth	1,409,813	598,822		0	299,411	1,709,224	20	0	0	341,845	1,666,790
5.	10	Vehicles and Equipment	2,250,856	1,329,696		0	664,848	2,915,704	30	0	0	874,711	2,705,841
6.	12	COMPUTER SOFTWARE	106,716	114,742		0	57,371	164,087	100	0	0	164,087	57,371
7.	17		306,965			0		306,965	8	0	0	24,557	282,408
8.	47	Transmission and Dist. Equipmer	43,456,332	8,417,613		0	4,208,807	47,665,138	8	0	0	3,813,211	48,060,734
9.	45	COMPUTERS	5,150			0		5,150	45	0	0	2,318	2,832
10.	50	COMPUTERS > 3/18/07	366,018	275,781		0	137,891	503,908	55	0	0	277,149	364,650
11.	1b	Buildings > 18-03-07	5,286,990			0		5,286,990	6	0	0	317,219	4,969,771
12.	1b		606,924	1,912,394		0	956,197	1,563,121	6	0	0	93,787	2,425,531
		Totals	117,606,876	12,649,048			6,324,525	123,931,399				8,552,056	121,703,868

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

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

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

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

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

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

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

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

	Name 100	Country of residence (other than Canada) 200	Business number (see note 1) 300	Relationship code (see note 2) 400	Number of common shares you own 500	% of common shares you own 550	Number of preferred shares you own 600	% of preferred shares you own 650	Book value of capital stock 700
1.	NIAGARA FALLS HYDRO SERVICES		87146 8120 RC0001	3					
2.	NIAGARA FALLS HYDRO HOLDING (		86750 8830 RC0001	1	1,000	100.000			25,605,089

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.

Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

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

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

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")			200	1,050,008	A
Add: Cost of eligible capital property acquired during the taxation year	222				
Other adjustments	226				
Subtotal (line 222 plus line 226)		x 3 / 4 =			B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228	x 1 / 2 =			C
amount B minus amount C (if negative, enter "0")			▶		D
Amount transferred on amalgamation or wind-up of subsidiary			224		E
Subtotal (add amounts A, D, and E)			230	1,050,008	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G		
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H		
Other adjustments	246		I		
(add amounts G,H, and I)		x 3 / 4 =	248		J
Cumulative eligible capital balance (amount F minus amount J)				1,050,008	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)					
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249				
amount K	1,050,008				
less amount from line 249					
Current year deduction	1,050,008	x 7.00 % =	250	73,501 *	
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)			73,501 ▶	73,501	L
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")			300	976,507	M

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

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

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

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

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SCHEDULE 23

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

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

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

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

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

1 ï Associated for purposes of allocating the business limit (unless code 5 applies)

2 ï 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 ï Non-CCPC that is a "third corporation" as defined in subsection 256(2)

4 ï Associated non-CCPC

5 ï 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 ☒

	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	NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	1	500,000	100.0000	500,000
2	NIAGARA FALLS HYDRO SERVICES INC.	87146 8120 RC0001	1	500,000		
3	NIAGARA FALLS HYDRO HOLDING CORPORAT	86750 8830 RC0001	1	500,000		
				Total	100.0000	500,000 **A**

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

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

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

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

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

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

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Schedule 31

Investment Tax Credit – Corporations

General information

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

Detailed information

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

Detailed information (continued)

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

Part 1 – Investments, expenditures, and percentages

Investments	**Specified percentage**
Qualified property acquired primarily for use in Atlantic Canada	10 %
Qualified resource property acquired primarily for use in Atlantic Canada and acquired:	
ï after March 28, 2012, and before 2014	10 %
ï after 2013 and before 2016	5 %
ï 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:	
ï before 2014**	20 %
ï 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***:	
ï after March 28, 2012, and before 2013	10 %
ï in 2013	5 %
ï after 2013***	0 %
If you are a taxable Canadian corporation that incurred pre-production mining development expenditures****:	
ï after March 28, 2012, and before 2014****	10 %
ï in 2014	7 %
ï in 2015	4 %
ï 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
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

Part 2 – Determination of a qualifying corporation

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

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

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

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

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

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

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

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

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

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

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

Part 3 – Corporations in the farming industry

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

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

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

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

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

Qualified Property and Qualified Resource Property

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

CCA* class number **105**	Description of investment **110**	Date available for use **115**	Location used (province or territory) **120**	Amount of investment **125**

Total of investments for qualified property and qualified resource property ________ A

* CCA: capital cost allowance

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

ITC at the end of the previous tax year				B
Deduct:				
Credit deemed as a remittance of co-op corporations	210			
Credit expired	215			
Subtotal (line 210 **plus** line 215)			▶	C
ITC at the beginning of the tax year (amount B **minus** amount C)			220	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	230			
ITC from repayment of assistance	235			
Qualified property; and qualified resource property acquired after March 28, 2012, and before January 1, 2014* (applicable part of amount A from Part 4) ______ x 10 % =	240			
Qualified resource property acquired after December 31, 2013, and before January 1, 2016 (applicable part of amount A from Part 4) ______ x 5 % =	242			
Credit allocated from a partnership	250			
Subtotal (total of lines 230 to 250)			▶	D
Total credit available (line 220 **plus** amount D)				E
Deduct:				
Credit deducted from Part I tax (enter at amount D in Part 30)	260			
Credit carried back to the previous year(s) (amount H from Part 6)			a	
Credit transferred to offset Part VII tax liability	280			
Subtotal (total of line 260, amount a, and line 280)			▶	F
Credit balance before refund (amount E **minus** amount F)				G
Deduct:				
Refund of credit claimed on investments from qualified property and qualified resource property (from Part 7)			310	
ITC closing balance of investments from qualified property and qualified resource property (amount G **minus** line 310)			320	

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

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

	Year	Month	Day			
1st previous tax year				Credit to be applied	901	
2nd previous tax year				Credit to be applied	902	
3rd previous tax year				Credit to be applied	903	
				Total (enter at amount a in Part 5)		H

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

Current-year ITCs (total of lines 240, 242, and 250 from Part 5)		I
Credit balance before refund (amount G from Part 5)		J
Refund (40 % of amount I or J, whichever is less)		K

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

SR&ED

Part 8 – Qualified SR&ED expenditures

Current expenditures

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

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

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

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

Part 9 only applies if the corporation is a CCPC.

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

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

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

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

Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied)		390	3,504,652
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	141,348,640	398	40,000,000

* 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	3,504,652	x 10 =	35,046,520	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 $\frac{\text{Number of days in the tax year}\quad 365}{365}$ = ______ F

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

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

Part 11 – Investment tax credits on SR&ED expenditures

Current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10), whichever is less*	420		x	35 %	=		G
Line 350 **minus** line 410 (if negative, enter "0")**	430		x	20 %	=		H
Line 410 **minus** line 350 (if negative, enter "0")			b				
Capital expenditures (line 360 from Part 8) or amount b above, whichever is less*	440		x	35 %	=		I
Line 360 **minus** amount b above (if negative, enter "0")**	450		x	20 %	=		J

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

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

460		x	35 %	=		c	
480		x	20 %	=		d	
			Subtotal (amount c **plus** amount d)			►	K

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

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

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

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

ITC at the end of the previous tax year				M
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired	515			
Subtotal (line 510 **plus** line 515)			►	N
ITC at the beginning of the tax year (amount M **minus** amount N)			520	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit (from amount L in Part 11)	540			
Credit allocated from a partnership	550			
Subtotal (total of lines 530 to 550)			►	O
Total credit available (line 520 **plus** amount O)				P
Deduct:				
Credit deducted from Part I tax (enter at amount E in Part 30)	560			
Credit carried back to the previous year(s) (amount S from Part 13)			e	
Credit transferred to offset Part VII tax liability	580			
Subtotal (total of line 560, amount e, and line 580)			►	Q
Credit balance before refund (amount P **minus** amount Q)				R
Deduct:				
Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies)			610	
ITC closing balance on SR&ED (amount R **minus** line 610)			620	

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

	Year	Month	Day			
1st previous tax year				Credit to be applied	911	
2nd previous tax year				Credit to be applied	912	
3rd previous tax year				Credit to be applied	913	

Total (enter at amount e in Part 12) S

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

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

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

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

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

Deduct:

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

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

Amount V **multiplied** by 40 % W

Add:

Amount U X

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

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

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

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

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

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

Deduct:

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

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

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

Amount CC **multiplied** by 40 % DD

Add :

Amount AA EE

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

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

Recapture – SR&ED

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

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

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

Note:

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

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

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

Calculation 1 – If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	Amount from column 700 or 710, whichever is less

Subtotal (enter this amount at amount C in Part 17) ______ A

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B in Part 16 on page 9.

A Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	B Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	C Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) **740**

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B below.

D Amount determined by the formula (A x B) ï 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 ï total of amounts C to E		F

Enter amount F at amount A in Part 29.

Pre-Production Mining

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

For each of the minerals reported in column 800, identify each project (in column 805), mineral title (in column 806), and mining division (in column 807) where title is registered. If there is no mineral title, identify only the project and mining division.

List of minerals 800	Project name 805

Mineral title 806	Mining division 807

Pre-production mining expenditures*

Exploration:

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting	810	
Geological, geophysical, or geochemical surveys	811	
Drilling by rotary, diamond, percussion, or other methods	812	
Trenching, digging test pits, and preliminary sampling	813	

Development:

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping	820	
Sinking a mine shaft, constructing an adit, or other underground entry	821	

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826

Add amounts in column 826		▶	A
Total pre-production mining expenditures (total of lines 810 to 821 and amount A)	830		

Deduct:

Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above	832		
Excess (line 830 **minus** line 832) (if negative, enter "0")			B

Add:

Repayments of government and non-government assistance	835		
Pre-production mining expenditures (amount B **plus** line 835)			C

* A pre-production mining expenditure is defined under subsection 127(9).

Part 19 – Current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year					D
Deduct:					
Credit deemed as a remittance of co-op corporations	841				
Credit expired	845				
Subtotal (line 841 **plus** line 845)			▶		E
ITC at the beginning of the tax year (amount D **minus** amount E)			850		
Add:					
Credit transferred on amalgamation or wind-up of subsidiary			860		
Pre-production mining expenditures* incurred before January 1, 2013 (applicable part of amount C from Part 18) 870 ______ x 10 % =			a		
Pre-production mining exploration expenditures incurred in 2013 (applicable part of amount C from Part 18) 872 ______ x 5 % =			b		
Pre-production mining development expenditures incurred in 2014 (applicable part of amount C from Part 18) 874 ______ x 7 % =			c		
Pre-production mining development expenditures incurred in 2015 (applicable part of amount C from Part 18) 876 ______ x 4 % =			d		
Current year credit (total of amounts a to d)	880		▶		F
Total credit available (total of lines 850, 860, and amount F)					G
Deduct:					
Credit deducted from Part I tax (enter at amount F in Part 30)	885				
Credit carried back to the previous year(s) (amount I from Part 20)			e		
Subtotal (line 885 **plus** amount e)			▶		H
ITC closing balance from pre-production mining expenditures (amount G **minus** amount H)			890		

* Also include pre-production mining development expenditures incurred before 2014 and pre-production mining development expenditures incurred after 2013 and before 2016 that are eligible for transitional relief.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	921	
2nd previous tax year				Credit to be applied	922	
3rd previous tax year				Credit to be applied	923	
				Total (enter at amount e in Part 19)		I

Apprenticeship Job Creation

Part 21 – Total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) .... 611 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	PG4273	434A	17,040	1,704	1,704
2.	PG4235	434a	17,334	1,733	1,733

	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
3.	PK3534	434A	14,340	1,434	1,434
4.	PF4139	434A	12,668	1,267	1,267
5.	PK3543	434A	14,179	1,418	1,418
6.	PK3510	434A	13,534	1,353	1,353

Total current-year credit (enter at line 640 in Part 22) 8,909 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 8,909

Credit allocated from a partnership 655

Subtotal (total of lines 630 to 655) 8,909 ▶ 8,909 D

Total credit available (line 625 **plus** amount D) . . . . . . 8,909 E

Deduct:

Credit deducted from Part I tax (enter at amount G in Part 30) 660 8,909

Credit carried back to the previous year(s) (amount G from Part 23) . . . . . . a

Subtotal (line 660 **plus** amount a) 8,909 ▶ 8,909 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:
  - ï disposed of or leased to a lessee; or
  - ï converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) . . . . **792** ______

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC . . . . **795** ______

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property . . . . **797** ______

Amount from line 795 or line 797, whichever is less . . . . ______ A

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 799 below.

Corporate partner's share of the excess of ITC **799** ______

Total recapture of child care spaces investment tax credit (total of line 792, amount A, and line 799) . . . . ______ B

Enter amount B at amount B in Part 29.

Summary of Investment Tax Credits

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC (from amount F in Part 17)		A
Recaptured child care spaces ITC (from amount B in Part 28)		B
Total recapture of investment tax credit (amount A **plus** amount B)		C

Enter amount C on line 602 of the T2 return.

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5)		D
ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12)		E
ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19)		F
ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22)	8,909	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)	8,909	I

Enter amount I at line 652 of the T2 return.

Privacy Act, Personal Information Bank number CRA PPU 047

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
8,909	8,909			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2012-12-31				
2011-12-31				
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				*
2002-12-31				
2001-12-31				
2001-09-30				
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				*
Total				

B+C+D+G **Total ITC utilized** 8,909

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

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SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust) 100	Provide only one number per shareholder: 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	NIAGARA FALLS HYDRO HOLDING CORPORATION	86750 8830 RC0001			74.500	
2	PENINSULA WEST POWER INC.	89108 9419 RC0001			25.500	
3						
4						
5						
6						
7						
8						
9						
10						

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SCHEDULE 53

GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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 *Income 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)

	Line	Amount		Line	Amount	
GRIP at the end of the previous tax year				100	27,816,842	A
Taxable income for the year (DICs enter "0") *	110	871,642	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	871,642				
After-tax income (line 150 x general rate factor for the tax year ** 0.72)				190	627,582	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)					28,444,424	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	28,444,424	
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) Enter this amount on line 160 of Schedule 55.				590	28,444,424	

* 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			3,504,652	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")			3,504,652 ▶	3,504,652	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 602,006 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") 602,006 ▶ 602,006 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 6,514,647 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") 6,514,647 ▶ 6,514,647 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 55

PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

Do not use this area

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- All legislative references on this schedule are to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

Taxable dividends paid in the tax year **not included** in Schedule 3					
Taxable dividends paid in the tax year **included** in Schedule 3		1,200,000			
Total taxable dividends paid in the tax year	100	1,200,000			
Total eligible dividends paid in the tax year			150		A
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")			160	28,444,424	B
Excessive eligible dividend designation (line 150 **minus** line 160)					C
Deduct:					
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*			180		D
Subtotal (amount C **minus** amount D)					E
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (amount E **multiplied** by 20 %)			190		F

Enter the amount from line 190 on line 710 of the T2 return.

Part 2 – Other corporations

Taxable dividends paid in the tax year **not included** in Schedule 3					
Taxable dividends paid in the tax year **included** in Schedule 3					
Total taxable dividends paid in the tax year	200				
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)					G
Deduct:					
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*			280		H
Subtotal (amount G **minus** amount H)					I
Part III.1 tax on excessive eligible dividend designations – Other corporations (amount I **multiplied** by 20 %)			290		J

Enter the amount from line 290 on line 710 of the T2 return.

* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days **after** the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to **www.cra.gc.ca/eligibledividends**.

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Schedule 500

Ontario Corporation Tax Calculation

Corporation's name	Business number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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 * . . . . 871,642 B

Ontario basic income tax: amount B **multiplied** by Ontario basic rate of tax for the year (rate A3 from Part 1) . . . . 100,239 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)	871,642	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	871,642	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	500,000	3
Enter the least of amounts 1, 2, and 3	500,000	D

Ontario domestic factor: Ontario taxable income * / Taxable income earned in all provinces and territories ** = 871,642.00 / 871,642 = 1.00000 E

Amount D x factor E	500,000	a
Ontario taxable income (amount B from Part 2)	871,642	b

Ontario small business income (lesser of amount a and amount b) . . . 500,000 F

Number of days in the tax year before July 1, 2011 / Number of days in the tax year = ___ / 365 x 7.50 % = ___ % G1

Number of days in the tax year after June 30, 2011 / Number of days in the tax year = 365 / 365 x 7.00 % = 7.00000 % G2

OSBD rate for the year (rate G1 **plus** G2) . . . 7.00000 % G3

Ontario small business deduction: amount F **multiplied** by OSBD rate for the year (rate G3) . . . 35,000 H

Enter amount H on line 402 of Schedule 5.

* Enter amount B from Part 2.

** Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

Part 4 – Ontario adjusted small business income

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Ontario adjusted small business income (lesser of amount D and amount b from Part 3) . . . 500,000 I

Enter amount I on line K in Part 5 of this schedule or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

Part 5 – Calculation of credit union tax reduction

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17				J
Deduct:				
Ontario adjusted small business income (amount I from Part 4)				K
Subtotal (amount J **minus** amount K) (if negative, enter "0")				L
OSBD rate for the year (rate G3 from Part 3)	7.00000 %			
Amount L **multiplied** by the OSBD rate for the year				M
Ontario domestic factor (factor E from Part 3)			1.00000	N
Ontario credit union tax reduction (amount M **multiplied** by factor N)				O

Enter amount O on line 410 of Schedule 5.

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Schedule 510

Ontario Corporate Minimum Tax

Corporation's name	Business number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

- File this schedule if the corporation is subject to Ontario corporate minimum tax (CMT). CMT is levied under section 55 of the *Taxation Act, 2007* (Ontario), referred to as the "Ontario Act".
- Complete Part 1 to determine if the corporation is subject to CMT for the tax year.
- A corporation not subject to CMT in the tax year is still required to file this schedule if it is deducting a CMT credit, has a CMT credit carryforward, or has a CMT loss carryforward or a current year CMT loss.
- A corporation that has Ontario special additional tax on life insurance corporations (SAT) payable in the tax year must complete Part 4 of this schedule even if it is not subject to CMT for the tax year.
- A corporation is exempt from CMT if, throughout the tax year, it was one of the following:
  1) a corporation exempt from income tax under section 149 of the federal *Income Tax Act*;
  2) a mortgage investment corporation under subsection 130.1(6) of the federal Act;
  3) a deposit insurance corporation under subsection 137.1(5) of the federal Act;
  4) a congregation or business agency to which section 143 of the federal Act applies;
  5) an investment corporation as referred to in subsection 130(3) of the federal Act; or
  6) a mutual fund corporation under subsection 131(8) of the federal Act.
- File this schedule with the *T2 Corporation Income Tax Return*.

Part 1 – Determination of CMT applicability

Total assets of the corporation at the end of the tax year *	112	169,956,996
Share of total assets from partnership(s) and joint venture(s) *	114	
Total assets of associated corporations (amount from line 450 on Schedule 511)	116	
Total assets (total of lines 112 to 116)		169,956,996
Total revenue of the corporation for the tax year **	142	159,058,177
Share of total revenue from partnership(s) and joint venture(s) **	144	
Total revenue of associated corporations (amount from line 550 on Schedule 511)	146	
Total revenue (total of lines 142 to 146)		159,058,177

The corporation is subject to CMT if:
- for tax years ending before July 1, 2010, the total assets at the end of the year of the corporation or the associated group of corporations are more than $5,000,000, or the total revenue for the year of the corporation or the associated group of corporations is more than $10,000,000.
- for tax years ending after June 30, 2010, the total assets at the end of the year of the corporation or the associated group of corporations are equal to or more than $50,000,000, and the total revenue for the year of the corporation or the associated group of corporations is equal to or more than $100,000,000.

If the corporation is not subject to CMT, do not complete the remaining parts unless the corporation is deducting a CMT credit, or has a CMT credit carryforward, a CMT loss carryforward, a current year CMT loss, or SAT payable in the year.

* **Rules for total assets**
- Report total assets according to generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- Do not include unrealized gains and losses on assets and foreign currency gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.
- The amount on line 114 is determined at the end of the last fiscal period of the partnership or joint venture that ends in the tax year of the corporation. Add the proportionate share of the assets of the partnership(s) and joint venture(s), and deduct the recorded asset(s) for the investment in partnerships and joint ventures.
- A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the Ontario Act and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were $1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the Ontario Act.

** **Rules for total revenue**
- Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- If the tax year is less than 51 weeks, **multiply** the total revenue of the corporation or the partnership, whichever applies, by 365 and **divide** by the number of days in the tax year.
- The amount on line 144 is determined for the partnership or joint venture fiscal period that ends in the tax year of the corporation. If the partnership or joint venture has 2 or more fiscal periods ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.
- A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the Ontario Act and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were $1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the Ontario Act.

Part 2 – Adjusted net income/loss for CMT purposes

Net income/loss per financial statements *			210	1,458,180	
Add (to the extent reflected in income/loss):					
Provision for current income taxes/cost of current income taxes	220	85,936			
Provision for deferred income taxes (debits)/cost of future income taxes	222	510,994			
Equity losses from corporations	224				
Financial statement loss from partnerships and joint ventures	226				
Dividends deducted on financial statements (subsection 57(2) of the Ontario Act), excluding dividends paid by credit unions under subsection 137(4.1) of the federal Act	230				
Other additions (see note below):					
Share of adjusted net income of partnerships and joint ventures **	228				
Total patronage dividends received, not already included in net income/loss	232				
281	282				
283	284				
Subtotal		596,930	►	596,930	A
Deduct (to the extent reflected in income/loss):					
Provision for recovery of current income taxes/benefit of current income taxes	320				
Provision for deferred income taxes (credits)/benefit of future income taxes	322				
Equity income from corporations	324				
Financial statement income from partnerships and joint ventures	326				
Dividends deductible under section 112, section 113, or subsection 138(6) of the federal Act	330				
Dividends not taxable under section 83 of the federal Act (from Schedule 3)	332				
Gain on donation of listed security or ecological gift	340				
Accounting gain on transfer of property to a corporation under section 85 or 85.1 of the federal Act ***	342				
Accounting gain on transfer of property to/from a partnership under section 85 or 97 of the federal Act ****	344				
Accounting gain on disposition of property under subsection 13(4), subsection 14(6), or section 44 of the federal Act *****	346				
Accounting gain on a windup under subsection 88(1) of the federal Act or an amalgamation under section 87 of the federal Act	348				
Other deductions (see note below):					
Share of adjusted net loss of partnerships and joint ventures **	328				
Tax payable on dividends under subsection 191.1(1) of the federal Act **multiplied** by 3	334				
Interest deducted/deductible under paragraph 20(1)(c) or (d) of the federal Act, not already included in net income/loss	336				
Patronage dividends paid (from Schedule 16) not already included in net income/loss	338				
381	382				
383	384				
385	386				
387	388				
389	390				
Subtotal			►		B
Adjusted net income/loss for CMT purposes (line 210 **plus** amount A **minus** amount B)			490	2,055,110	

If the amount on line 490 is positive and the corporation is subject to CMT as determined in Part 1, enter the amount on line 515 in Part 3.

If the amount on line 490 is negative, enter the amount on line 760 in Part 7 (enter as a positive amount).

Note

In accordance with *Ontario Regulation 37/09*, when calculating net income for CMT purposes, accounting income should be adjusted to:

- exclude unrealized gains and losses due to mark-to-market changes or foreign currency changes on specified mark-to-market property (assets only);
- include realized gains and losses on the disposition of specified mark-to-market property not already included in the accounting income, if the property is not a capital property or is a capital property disposed in the year or in a previous tax year ended after March 22, 2007.

"Specified mark-to-market property" is defined in subsection 54(1) of the Ontario Act.

These rules also apply to partnerships. A corporate partner's share of a partnership's adjusted income flows through on a proportionate basis to the corporate partner.

* **Rules for net income/loss**

- Banks must report net income/loss as per the report accepted by the Superintendent of Financial Institutions under the federal *Bank Act*, adjusted so consolidation and equity methods are not used.

Part 2 – Adjusted net income/loss for CMT purposes (continued)

- Life insurance corporations must report net income/loss as per the report accepted by the federal Superintendent of Financial Institutions or equivalent provincial insurance regulator, before SAT and adjusted so consolidation and equity methods are not used. If the life insurance corporation is resident in Canada and carries on business in and outside of Canada, **multiply** the net income/loss by the ratio of the Canadian reserve liabilities **divided** by the total reserve liability. The reserve liabilities are calculated in accordance with Regulation 2405(3) of the federal Act.
- Other corporations must report net income/loss in accordance with generally accepted accounting principles, except that consolidation and equity methods must not be used. When the equity method has been used for accounting purposes, equity losses and equity income are removed from book income/loss on lines 224 and 324 respectively.
- Corporations, other than insurance corporations, should report net income from line 9999 of the GIFI (Schedule 125) on line 210.

** The share of the adjusted net income of a partnership or joint venture is calculated as if the partnership or joint venture were a corporation and the tax year of the partnership or joint venture were its fiscal period. For a corporation with an indirect interest in a partnership through one or more partnerships, determine the corporation's share according to clause 54(5)(c) of the Ontario Act.

*** A joint election will be considered made under subsection 60(1) of the Ontario Act if there is an entry on line 342, and an election has been made for transfer of property to a corporation under subsection 85(1) of the federal Act.

**** A joint election will be considered made under subsection 60(2) of the Ontario Act if there is an entry on line 344, and an election has been made under subsection 85(2) or 97(2) of the federal Act.

***** A joint election will be considered made under subsection 61(1) of the Ontario Act if there is an entry on line 346, and an election has been made under subsection 13(4) or 14(6) and/or section 44 of the federal Act.

For more information on how to complete this part, see the *T2 Corporation – Income Tax Guide*.

Part 3 – CMT payable

Adjusted net income for CMT purposes (line 490 in Part 2, if positive)		515	2,055,110		
Deduct:					
CMT loss available (amount R from Part 7)					
Minus: Adjustment for an acquisition of control *	518				
Adjusted CMT loss available		▶		C	
Net income subject to CMT calculation (if negative, enter "0")		520	2,055,110		

Amount from line 520 2,055,110 x (Number of days in the tax year before July 1, 2010 / Number of days in the tax year 365) x 4 % = ______ 1

Amount from line 520 2,055,110 x (Number of days in the tax year after June 30, 2010 365 / Number of days in the tax year 365) x 2.7 % = 55,488 2

Subtotal (amount 1 **plus** amount 2) 55,488 3

Gross CMT: amount on line 3 above x OAF **	540	55,488	
Deduct:			
Foreign tax credit for CMT purposes ***	550		
CMT after foreign tax credit deduction (line 540 **minus** line 550) (if negative, enter "0")		55,488	D
Deduct:			
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		65,239	
Net CMT payable (if negative, enter "0")			E

Enter amount E on line 278 of Schedule 5, *Tax Calculation Supplementary – Corporations*, and complete Part 4.

* Enter the portion of CMT loss available that exceeds the adjusted net income for the tax year from carrying on a business before the acquisition of control. See subsection 58(3) of the Ontario Act.

*** Enter "0" on line 550 for life insurance corporations as they are not eligible for this deduction. For all other corporations, enter the cumulative total of amount J for the province of Ontario from Part 9 of Schedule 21 on line 550.

** **Calculation of the Ontario allocation factor (OAF):**

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "Ontario," enter "1" on line F.

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "multiple," complete the following calculation, and enter the result on line F:

Ontario taxable income **** / Taxable income ***** ______ = ______

Ontario allocation factor 1.00000 F

**** Enter the amount allocated to Ontario from column F in Part 1 of Schedule 5. If the taxable income is nil, calculate the amount in column F as if the taxable income were $1,000.

***** Enter the taxable income amount from line 360 or amount Z of the T2 return, whichever applies. If the taxable income is nil, enter "1,000."

Part 4 – CMT credit carryforward

CMT credit carryforward at the end of the previous tax year *			G		
Deduct:					
CMT credit expired *	600				
CMT credit carryforward at the beginning of the current tax year * (see note below)			► 620		
Add:					
CMT credit carryforward balances transferred on an amalgamation or the windup of a subsidiary (see note below)			650		
CMT credit available for the tax year (amount on line 620 **plus** amount on line 650)					H
Deduct:					
CMT credit deducted in the current tax year (amount P from Part 5)					I
Subtotal (amount H **minus** amount I)					J
Add:					
Net CMT payable (amount E from Part 3)					
SAT payable (amount O from Part 6 of Schedule 512)					
Subtotal			►		K
CMT credit carryforward at the end of the tax year (amount J **plus** amount K)			670		L

* For the first harmonized T2 return filed with a tax year that includes days in 2009:

- do not enter an amount on line G or line 600;
- for line 620, enter the amount from line 2336 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)*, for the last tax year that ended in 2008.

For other tax years, enter on line G the amount from line 670 of Schedule 510 from the previous tax year.

Note: If you entered an amount on line 620 or line 650, complete Part 6.

Part 5 – CMT credit deducted from Ontario corporate income tax payable

CMT credit available for the tax year (amount H from Part 4)					M
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		65,239	1		
For a corporation that is not a life insurance corporation:					
CMT after foreign tax credit deduction (amount D from Part 3)	55,488	2			
For a life insurance corporation:					
Gross CMT (line 540 from Part 3)		3			
Gross SAT (line 460 from Part 6 of Schedule 512)		4			
The **greater** of amounts 3 and 4		5			
Deduct: line 2 or line 5, whichever applies:		55,488	6		
Subtotal (if negative, enter "0")		9,751	►	9,751	N
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		65,239			
Deduct:					
Total refundable tax credits excluding Ontario qualifying environmental trust tax credit (amount J6 **minus** line 450 from Schedule 5)		109,153			
Subtotal (if negative, enter "0")			►		O
CMT credit deducted in the current tax year (least of amounts M, N, and O)					P

Enter amount P on line 418 of Schedule 5 and on line I in Part 4 of this schedule.

Is the corporation claiming a CMT credit earned before an acquisition of control? 675 1 Yes ☐ 2 No ☒

If you answered **yes** to the question at line 675, the CMT credit deducted in the current tax year may be restricted. For information on how the deduction may be restricted, see subsections 53(6) and (7) of the Ontario Act.

Part 6 – CMT credit available for carryforward by year of origin

Complete this part if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3) of the federal Act.

Year of origin	CMT credit balance *
10th previous tax year	680
9th previous tax year	681
8th previous tax year	682
7th previous tax year	683
6th previous tax year	684
5th previous tax year	685
4th previous tax year	686
3rd previous tax year	687
2nd previous tax year	688
1st previous tax year	689
Total **	

* CMT credit that was earned (by the corporation, predecessors of the corporation, and subsidiaries wound up into the corporation) in each of the previous 10 tax years and has not been deducted.

** Must equal the total of the amounts entered on lines 620 and 650 in Part 4.

Part 7 – CMT loss carryforward

CMT loss carryforward at the end of the previous tax year * . . . . ______ Q

Deduct:

CMT loss expired * . . . . 700 ______

CMT loss carryforward at the beginning of the tax year * (see note below) . . . . ______ ► 720 ______

Add:

CMT loss transferred on an amalgamation under section 87 of the federal Act ** (see note below) . . . . 750 ______

CMT loss available (line 720 **plus** line 750) . . . . ______ R

Deduct:

CMT loss deducted against adjusted net income for the tax year (lesser of line 490 (if positive) and line C in Part 3) . . . . ______

Subtotal (if negative, enter "0") ______ S

Add:

Adjusted net loss for CMT purposes (amount from line 490 in Part 2, if **negative**) (enter as a positive amount) . . . . 760 ______

CMT loss carryforward balance at the end of the tax year (amount S **plus** line 760) . . . . 770 ______ T

* For the first harmonized T2 return filed with a tax year that includes days in 2009:

- do not enter an amount on line Q or line 700;
- for line 720, enter the amount from line 2214 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)*, for the last tax year that ended in 2008.

For other tax years, enter on line Q the amount from line 770 of Schedule 510 from the previous tax year.

** Do not include an amount from a predecessor corporation if it was controlled at any time before the amalgamation by any of the other predecessor corporations.

Note: If you entered an amount on line 720 or line 750, complete Part 8.

Part 8 – CMT loss available for carryforward by year of origin

Complete this part if:

ï the tax year includes January 1, 2009; or

ï the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3) of the federal Act.

Year of origin	Balance earned in a tax year ending before March 23, 2007 *	Balance earned in a tax year ending after March 22, 2007 **
10th previous tax year	810	820
9th previous tax year	811	821
8th previous tax year	812	822
7th previous tax year	813	823
6th previous tax year	814	824
5th previous tax year	815	825
4th previous tax year	816	826
3rd previous tax year	817	827
2nd previous tax year	818	828
1st previous tax year		829
Total ***		

* Adjusted net loss for CMT purposes that was earned (by the corporation, by subsidiaries wound up into or amalgamated with the corporation before March 22, 2007, and by other predecessors of the corporation) in each of the previous 10 tax years that ended before March 23, 2007, and has not been deducted.

** Adjusted net loss for CMT purposes that was earned (by the corporation and its predecessors, but not by a subsidiary predecessor) in each of the previous 20 tax years that ended after March 22, 2007, and has not been deducted.

*** The total of these two columns must equal the total of the amounts entered on lines 720 and 750.

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SCHEDULE 511

ONTARIO CORPORATE MINIMUM TAX – TOTAL ASSETS AND REVENUE FOR ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2013-12-31

- For use by corporations to report the total assets and total revenue of all the Canadian or foreign corporations with which the filing corporation was associated at any time during the tax year. These amounts are required to determine if the filing corporation is subject to corporate minimum tax.
- Total assets and total revenue include the associated corporation's share of any partnership(s)/joint venture(s) total assets and total revenue.
- Attach additional schedules if more space is required.
- File this schedule with the *T2 Corporation Income Tax Return.*

	Names of associated corporations 200	Business number (Canadian corporation only) (see Note 1) 300	Total assets* (see Note 2) 400	Total revenue** (see Note 2) 500
1	NIAGARA FALLS HYDRO SERVICES INC.	87146 8120 RC0001	0	0
2	NIAGARA FALLS HYDRO HOLDING CORPORATION	86750 8830 RC0001	0	0
		Total	450	550

Enter the total assets from line 450 on line 116 in Part 1 of Schedule 510, *Ontario Corporate Minimum Tax*.
Enter the total revenue from line 550 on line 146 in Part 1 of Schedule 510.

Note 1: Enter ¨NR¨ if a corporation is not registered.

Note 2: If the associated corporation does not have a tax year that ends in the filing corporation's current tax year but was associated with the filing corporation in the previous tax year of the filing corporation, enter the total revenue and total assets from the tax year of the associated corporation that ends in the previous tax year of the filing corporation.

*** Rules for total assets**

ï Report total assets in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.

ï Include the associated corporation's share of the total assets of partnership(s) and joint venture(s) but exclude the recorded asset(s) for the investment in partnerships and joint ventures.

ï Exclude unrealized gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.

**** Rules for total revenue**

ï Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.

ï If the associated corporation has 2 or more tax years ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of those tax years by 365 and **divide** by the total number of days in all of those tax years.

ï If the associated corporation's tax year is less than 51 weeks and is the only tax year of the associated corporation that ends in the filing corporation's tax year, **multiply** the associated corporation's total revenue by 365 and **divide** by the number of days in the associated corporation's tax year.

ï Include the associated corporation's share of the total revenue of partnerships and joint ventures.

ï If the partnership or joint venture has 2 or more fiscal periods ending in the associated corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.

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SCHEDULE 546

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 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)
NIAGARA PENINSULA 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		2008-01-01	1746865

Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)

200 Care of (if applicable)
SUZANNE WILSON

210 Street number	**220** Street name/Rural route/Lot and Concession number	**230** Suite number
7447	PIN OAK DRIVE	

240 Additional address information if applicable (line 220 must be completed first)
PO BOX 120

250 Municipality (e.g., city, town)	**260** Province/state	**270** Country	**280** Postal/zip code
NIAGARA FALLS	ON	CA	L2E 6S9

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 ï 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 ï Certification."

Part 4 – Certification

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

450 WILSON (Last name) **451** SUZANNE (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
NIAGARA PENINSULA ENERGY INC.	87196 9127 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
SUZANNE WILSON	(905) 356-2681

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** 8,000,000

For eligible expenditures incurred before March 27, 2009:
- If line 300 is $400,000 or less, enter 30% on line 310.
- If line 300 is $600,000 or more, enter 25% on line 310.
- If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 310 using the following formula:

$$\text{Specified percentage} = 30\,\% - \left[5\,\% \times \left(\frac{\text{amount on line 300} \textbf{ minus } 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . . . **310** 25.000 %

For eligible expenditures incurred after March 26, 2009:
- If line 300 is $400,000 or less, enter 45% on line 312.
- If line 300 is $600,000 or more, enter 35% on line 312.
- If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 312 using the following formula:

$$\text{Specified percentage} = 45\,\% - \left[10\,\% \times \left(\frac{\text{amount on line 300} \textbf{ minus } 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . . . **312** 35.000 %

* If this is the first tax year of an amalgamated corporation and subsection 89(6) of the *Taxation Act, 2007* (Ontario) applies, enter salaries and wages paid in the previous tax year by the predecessor corporations.

Part 4 – Calculation of the Ontario apprenticeship training tax credit

Complete a **separate entry** for each apprentice that is in a qualifying apprenticeship with the corporation. When claiming an ATTC for repayment of government assistance, complete a **separate entry** for each repayment, and complete columns A to G and M and N with the details for the employment period in the previous tax year in which the government assistance was received.

	A Trade code 400	B Apprenticeship program/ trade name 405	C Name of apprentice 410
1.	434a	Powerline Technician	S Milton
2.	434a	Powerline Technician	C Becker
3.	434a	Powerline Technician	D Albanese
4.	434a	Powerline Technician	J Garofalo
5.	434a	Powerline Technician	J Horth
6.	434a	Powerline Technician	J McConvey
7.	434a	Powerline Technician	J Fioravanti
8.	434a	Powerline Technician	B Bates
9.	434a	Powerline Technician	T Longtin
10.	434a	Powerline Technician	C Manningham
11.	434a	Powerline Technician	D deBruin
12.	434a	Powerline Technician	J Smith
13.	434a	Powerline Technician	M Fasano

	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.	PC7056	2010-01-06	2013-01-01	2013-12-31
2.	PD5702	2010-10-01	2013-01-01	2013-12-31
3.	PD5701	2010-10-01	2013-01-01	2013-12-31
4.	PD5707	2010-10-01	2013-01-01	2013-12-31
5.	PD5716	2010-10-01	2013-01-01	2013-12-31
6.	PG4273	2011-09-28	2013-01-01	2013-12-31
7.	PG4235	2011-09-28	2013-01-01	2013-12-31

	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
8.	PE1661	2010-09-07	2013-01-01	2013-12-31
9.	PE1659	2010-09-07	2013-01-01	2013-12-31
10.	PK3534	2013-02-13	2013-05-06	2013-12-31
11.	PF4139	2012-09-04	2013-05-13	2013-12-31
12.	PK3543	2013-02-13	2013-05-06	2013-12-31
13.	PK3510	2013-02-13	2013-05-06	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
2.		365	365	10,000
3.		365	365	10,000
4.		365	365	10,000
5.		365	365	10,000
6.		365	365	10,000
7.		365	365	10,000
8.		365	365	10,000
9.		365	365	10,000
10.		240	240	6,575
11.		233	233	6,384
12.		240	240	6,575
13.		240	240	6,575

	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.		77,189	77,189	27,016
2.		65,123	65,123	22,793
3.		66,244	66,244	23,185
4.		68,256	68,256	23,890
5.		65,839	65,839	23,044
6.		33,850	33,850	11,848
7.		33,608	33,608	11,763
8.		67,468	67,468	23,614
9.		63,782	63,782	22,324
10.		14,340	14,340	5,019
11.		12,668	12,668	4,434
12.		14,179	14,179	4,963
13.		13,534	13,534	4,737

	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
2.	10,000		10,000
3.	10,000		10,000
4.	10,000		10,000
5.	10,000		10,000
6.	10,000		10,000
7.	10,000		10,000
8.	10,000		10,000
9.	10,000		10,000
10.	5,019		5,019
11.	4,434		4,434
12.	4,963		4,963

	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
13.	4,737		4,737

Ontario apprenticeship training tax credit (total of amounts in column N) 500 ..... 109,153 **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.

Corporate Taxpayer Summary

Corporate information

Corporation's name	NIAGARA PENINSULA ENERGY INC.
Taxation Year	2013-01-01 to 2013-12-31
Jurisdiction	Ontario

BC	AB	SK	MB	ON	QC	NB	NS	NO	PE	NL	XO	YT	NT	NU	OC
				X											

Corporation is associated	Y
Corporation is related	Y
Number of associated corporations	2
Type of corporation	Canadian-Controlled Private Corporation
Total amount due (refund) federal and provincial*	-1,410,809

* The amounts displayed on lines "Total amount due (refund) federal and provincial" are all listed in the help. Press F1 to consult the context-sensative help.

Summary of federal information

Net income		871,642
Taxable income		871,642
Donations		
Calculation of income from an active business carried on in Canada		871,642
Dividends paid		1,200,000
Dividends paid ï Regular	1,200,000	
Dividends paid ï Eligible		
Balance of the low rate income pool at the end of the previous year		
Balance of the low rate income pool at the end of the year		
Balance of the general rate income pool at the end of the previous year		27,816,842
Balance of the general rate income pool at the end of the year		28,444,424
Part I tax (base amount)		331,224

Credits against part I tax		**Summary of tax**		**Refunds/credits**	
Small business deduction		Part I	121,838	ITC refund	
M&P deduction		Part IV		Dividends refund	
Foreign tax credit		Part III.1		Instalments	1,488,733
Investment tax credits	8,909	Other*		Surtax credit	
Abatement/Other*	200,477	Provincial or territorial tax		Other*	43,914
				Balance due/refund (–)	-1,410,809

* The amounts displayed on lines "Other" are all listed in the Help. Press F1 to consult the context-sensitive help.

Summary of federal carryforward/carryback information

Carryforward balances

Capital dividend amount	6,337
Cumulative eligible capital	976,507

Summary of provincial information – provincial income tax payable

	Ontario	Québec (CO-17)	Alberta (AT1)
Net income	871,642		
Taxable income	871,642		
% Allocation	100.00		
Attributed taxable income	871,642		
Tax payable before deduction*	100,239		
Deductions and credits	35,000		
Net tax payable	65,239		
Attributed taxable capital	N/A		N/A
Capital tax payable**	N/A		N/A
Total tax payable***	65,239		
Instalments and refundable credits	109,153		
Balance due/Refund (-)	-43,914		
Logging tax payable (COZ-1179)			
Tax payable	N/A		N/A

* For Québec, this includes special taxes.

** For Québec, this includes compensation tax and registration fee.

*** For Ontario, this includes the corporate minimum tax, the Crown royaltiesôadditional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations. The Balance due/Refund is included in the federal Balance due/refund.

Summary – taxable capital

Federal

Corporate name	Taxable capital used to calculate the business limit reduction (T2, line 415)	Taxable capital used to calculate the SR&ED expenditure limit for a CCPC (Schedules 31 and 49)	Taxable capital used to calculate line 233 of the T2 return	Taxable capital used to calculate line 234 of the T2 return
NIAGARA PENINSULA ENERGY INC.	141,348,640	141,348,640	149,293,305	149,293,305
NIAGARA FALLS HYDRO SERVICES INC.				
NIAGARA FALLS HYDRO HOLDING CORPORATION	2,155,550	2,155,550		
Total	143,504,190	143,504,190	149,293,305	149,293,305

Québec

Corporate name	Paid-up capital used to calculate the Québec business limit reduction (CO-771 and CO-771.1.3)	Paid-up capital used to calculate the tax credit for investment (CO-1029.8.36.IN)	Paid-up capital used to calculate the 1 million deduction (CO-1137.A and CO-1137.E)
Total			

Ontario

Corporate name	Specified capital used to calculate the expenditure limit ï Ontario innovation tax credit (Schedule 566)
Total	

Other provinces

Corporate name	Capital used to calculate the Newfoundland and Labrador capital deduction on financial institutions (Schedule 306)	Taxable capital used to calculate the Nova Scotia capital deduction on large corporations (Schedule 343)
Total		

Five-Year Comparative Summary

Federal information (T2)

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Taxation year end	**2013-12-31**	**2012-12-31**	**2011-12-31**	**2010-12-31**	**2009-12-31**
Net income	871,642	3,504,652	602,006	6,514,647	7,621,710
Taxable income	871,642	3,504,652	602,006	6,514,647	7,621,710
Active business income	871,642	3,504,652	602,006	6,514,647	7,621,710
Dividends paid	1,200,000	1,200,000	500,000	500,000	500,000
Dividends paid ï Regular	1,200,000	1,200,000	500,000	500,000	
Dividends paid ï Eligible					
LRIP ï end of the previous year					
LRIP ï end of the year					
GRIP ï end of the previous year	27,816,842	25,293,493	24,872,089	20,376,983	15,194,220
GRIP ï end of the year	28,444,424	27,816,842	25,293,493	24,872,089	20,376,983
Donations					
Balance due/refund (-)	-1,410,809	-588,733	-1,967,234	-589,878	266,105
Loss carrybacks requested in prior years					
Taxable income before loss carrybacks	N/A	N/A	602,006	6,514,647	7,621,710
Non-capital losses	N/A	N/A			
Net capital losses (50%)	N/A	N/A			
Restricted farm losses	N/A	N/A			
Farm losses	N/A	N/A			
Listed personal property losses (50%)	N/A	N/A			
Total loss carried back to prior years	N/A	N/A			
Adjusted taxable income after loss carrybacks	N/A	N/A	602,006	6,514,647	7,621,710
Losses in the current year carried back to previous years (according to Schedule 4)					
Adjusted taxable income before current year loss carrybacks*	N/A	3,504,652	602,006	6,514,647	N/A
Non-capital losses	N/A				N/A
Net capital losses (50%)	N/A				N/A
Restricted farm losses	N/A				N/A
Farm losses	N/A				N/A
Listed personal property losses (50%)	N/A				N/A
Total current year losses carried back to prior years	N/A				N/A
Adjusted taxable income after loss carrybacks	N/A	3,504,652	602,006	6,514,647	N/A

* The adjusted taxable income before current year loss carryback takes into account loss carrybacks that were made in prior taxation years.

Federal taxes

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Part I before surtax	121,838	513,126	91,078	1,165,225	1,437,086
Surtax					
Part IV					
Part I & Surtax	121,838	513,126	91,078	1,165,225	1,437,086
Part III.1					
Other*					

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Credits against part I tax

Small business deduction					
M&P deduction					
Foreign tax credit					
Political contribution					
Investment tax credit	8,909	12,572	8,252	7,411	11,039
Abatement/other*	200,477	806,070	129,432	1,302,930	1,448,125

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Refunds/credits

ITC refund					
Dividend refund					
Instalments	1,488,733	1,299,364	2,098,092	2,629,066	2,450,000
Surtax credit					
Other*	43,914				

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Ontario

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Net income	871,642	3,504,652	602,006	6,514,647	7,621,710
Taxable income	871,642	3,504,652	602,006	6,514,647	7,621,710
% Allocation	100.00	100.00	100.00	100.00	100.00
Attributed taxable income	871,642	3,504,652	602,006	6,514,647	7,621,710
Surtax				39,979	42,500
Income tax payable before deduction	100,239	403,035	70,723	846,369	1,067,039
Income tax deductions /credits	35,000	99,179	36,240	39,979	42,500
Net income tax payable	65,239	303,856	34,483	846,369	1,067,039
Taxable capital				131,119,255	126,794,683
Capital tax payable				86,374	251,917
Total tax payable*	65,239	303,856	98,662	932,743	1,318,956
Instalments and refundable credits	109,153	106,351	58,882	58,780	39,937
Balance due/refund**	-43,914	197,505	39,780	873,963	1,279,019

* For taxation years ending before January 1, 2009, this includes the corporate minimum tax and the premium tax. For taxation years ending after December 31, 2008, this includes the corporate minimum tax, the Crown royaltiesôadditional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations.

** For taxation years ending after December 31, 2008, the Balance due/Refund is included in the federal Balance due/refund.

T2 BAR CODE RETURN

Name: NIAGARA PENINSULA ENERGY INC.

BN: 87196 9127 RC 0001

Tax Year Start: 2013-01-01

Tax Year End: 2013-12-31

For agency use
[055]

For agency use
[095] ______________

[096] ______________

This page must be sent to the Canada Revenue Agency

Name: **NIAGARA PENINSULA ENERGY INC.**

BN: **87196 9127 RC 0001**

Tax Year Start: **2013-01-01**

Tax Year End: **2013-12-31**

This page must be sent to the Canada Revenue Agency

Name: NIAGARA PENINSULA ENERGY INC.

BN: 87196 9127 RC 0001

Tax Year Start: 2013-01-01

Tax Year End: 2013-12-31

Under the *Income Tax Act*, you must keep all records used to prepare your corporation income tax return, and provide this information to us upon request.

Certification

I, SUZANNE WILSON, am an authorized signing officer of the corporation. I certify that I have examined the corporation's income tax return, including accompanying schedules and statements, for the tax year noted on this return.

I certify that the following amounts are, to the best of my knowledge, correct and complete, and fully disclose the corporation's income tax payable. These amounts also reflect the information given on the corporation's income tax return for the tax year noted on this return.

Net income (or loss) for income tax purposes from Schedule 001, financial statements or GIFI	$	871 642
Part I tax payable	$	121 838
Part II surtax payable	$	0
Part III.1 tax payable	$	0
Part IV tax payable	$	0
Part IV.1 tax payable	$	0
Part VI tax payable	$	0
Part VI.1 tax payable	$	0
Part XIII.1 tax payable	$	0
Part XIV tax payable	$	0
Net provincial and territorial tax payable	$	0
Provincial tax on large corporations	$	0
Enclosed payment	$	0

I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

Signature of the authorized signing officer of the corporation	Phone	Position, office or rank
	(905)356-2681	VICE PRESIDENT FINANCE

Contact person, if different to authorized signing officer	Phone	Date
		2014-06-13

This page must be sent to the Canada Revenue Agency

Canada Revenue Agency / Agence du revenu du Canada

INFORMATION RETURN FOR CORPORATIONS FILING ELECTRONICALLY

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

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

Part A – Identification

Name of corporation: NIAGARA PENINSULA ENERGY INC.

Business Number	Tax year	From (Y M D)	To (Y M D)
87196 9127 RC0001		2013-01-01	2013-12-31

Part B – Declaration

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

Net income or (loss) for income tax purposes from Schedule 1, financial statements or GIFI (line 300)	871,642
Part I tax payable (line 700)	121,838
Part II surtax payable (line 708)	
Part III.1 tax payable (line 710)	
Part IV tax payable (line 712)	
Part IV.1 tax payable (line 716)	
Part VI tax payable (line 720)	
Part VI.1 tax payable (line 724)	
Part XIV tax payable (line 728)	
Net provincial and territorial tax payable (line 760)	
Provincial tax on large corporations (line 765)	

Part C – Certification and authorization

I, WILSON (Last name in block letters) SUZANNE (First name in block letters) VICE PRESIDENT FINANCE (Position, office, or rank),

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

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

Date (yyyy/mm/dd)	Signature of an authorized signing officer of the corporation	Telephone number
2014-06-13		(905) 356-2681

Part D – Transmitter identification

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

Name of person or firm: Crawford Smith and Swallow   Electronic filer number: A4253

Privacy Act, Personal Information Bank number CRA PPU 047

T183 CORP (11)

Canada

Tax Credits

NPEI claims the apprenticeship tax credit in its PILS calculation for the 2013 historical year, 2014BY and 2015TY. Ontario apprenticeship training tax credits can be claimed for apprentices up to a maximum of 48 months. The federal investment tax credit for apprentices can be claimed for a period of up to 24 months.

In 2013, NPEI had 13 apprentices eligible for the Ontario apprenticeship training tax credits. The total credit amounted to $109,153. NPEI had 6 apprentices eligible for the federal ITC from apprenticeship job creation amounting to a credit of $8,909.

In 2014, NPEI projects 12 apprentices eligible for the Ontario apprenticeship training tax credit totaling $103,699 and 4 apprentices eligible for the federal ITC from apprenticeship job creation amounting to a credit of $7,329.

In 2015, NPEI projects 8 apprentices eligible for the Ontario apprenticeship training tax credit totaling $74,795 and 5 apprentices eligible for the federal ITC from apprenticeship job creation amounting to a credit of $6,208.

Table 4-16 below shows a detailed calculation for each of the years from 2013 through to 2015TY.

Table 4-16 Ontario apprenticeship tax credit and Federal ITC apprenticeship job creation

	Federal ITC	Ontario credit		Federal ITC	Ontario credit		Federal ITC	Ontario credit
Trade #	2013	2013		2014	2014		2015	2015
PC7056		10,000			137			
PD5702		10,000			7,479			
PD5701		10,000			7,479			
PD5707		10,000			7,479			
PD5716		10,000			7,479			
PG4273	1,704	10,000			10,000			7,397
PG4235	1,733	10,000			10,000			7,397
PE1661		10,000			6,822			
PE1659		10,000			6,822			
PK3534	1,434	5,019		2,000	10,000		736	10,000
PF4139	1,267	4,434		1,329	10,000			10,000
PK3543	1,418	4,963		2,000	10,000		736	10,000
PK3510	1,353	4,737		2,000	10,000		736	10,000
New 2015							2,000	10,000
New 2015							2,000	10,000
	8,909	109,153		7,329	103,699		6,208	74,795
Total Credits	118,062			111,027			81,003	

Other Additions/Deductions

There were no material other additions/deductions (i.e. greater than $146K) included in the historical, bridge or test year PILS calculations as per the PILS model included in E4/T5/S1/Att1.

Non-recoverable and Disallowed Expenses

NPEI does not have any expenses that are non-recoverable or disallowed for tax purposes.

Integrity Checks

NPEI confirms that it has reviewed the filing requirements section 2.7.8.2 integrity checks and these have been achieved in this application. NPEI has considered the following:

- The depreciation and amortization added back in the application's PILs model agree with the numbers disclosed in the rate base section of the application;
- The capital additions and deductions in the UCC/ CCA Schedule 8 agree with the rate base section for historic and bridge year. For the test year under IFRS the capital contributions are treated as deferred revenues but for rate making purposes these are calculated as part of capital additions and deductions. NPEI has excluded the 2015 test year capital contributions from schedule 8 as these will no longer be eligible for UCC/CCA under IFRS.
- Schedule 8 of the most recent federal T2 tax return filed with the application has a closing December 31st historic year UCC that agrees with the opening bridge year UCC at January 1st;
- The CCA deductions in the application's PILs tax model for historic, bridge and test years agree with the numbers in the UCC schedules for the same years filed in the application;
- Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application;
- CCA is maximized even if there are tax loss carry-forwards.
- A statement is included in the application as to when the losses, if any, will be fully utilized;
- Accounting OPEB and pension amounts added back on Schedule 1 reconciliation of accounting income to net income for tax purposes agree with the OM&A analysis for compensation; and

- The income tax rate used to calculate the tax expense must be consistent with the utility's actual tax facts and evidence filed in the proceeding.

Taxes other than PILs

NPEI has estimated property taxes for the 2014 Bridge year and the 2015 Test year at $281,600 and $287,232 respectively.

In 2012, NPEI received the property tax assessments for the Smithville Service Center that was constructed in 2010. The property tax assessments received in 2012 were for the years 2010, 2011 and 2012. NPEI under accrued the property taxes related to the new building and as a result the 2012 taxes other than PILS expense exceeds 2011 and is lower than 2013. Table 4-17 below details NPEI's taxes other than PILS from 2011 Board Approved through to the 2015 test year.

Table 4-17 Taxes other than PILS

	2011 Board Approved	2011 Actual	2011 Board Approved vs 2011 Actual $ Variance	2011 Board Approved vs 2011 Actual % Variance	2012 Actual	2012 Actual vs 2011 Actual $ Variance	2012 Actual vs 2011 Actual % Variance	2013 Actual	2013 Actual vs 2012 Actual $ Variance	2013 Actual vs 2012 Actual % Variance	2014 Bridge Year	2014BY vs 2013 Actual $ Variance	2014BY vs 2013 Actual % Variance	2015 Test Year	2015TY vs 2014 BY $ Variance	2015TY vs 2014 BY % Variance
6105-Taxes Other Than Income Taxes	222,474	185,288	(37,186)	-16.71%	406,629	221,341	119.46%	258,673	(147,956)	-36.39%	281,600	22,927	8.86%	287,232	5,632	2.00%

File Number: EB-2014-0096

Date Filed: September 23, 2014

Exhibit 4

Tab 6 of 6

Conservation and Demand Management Costs

Conservation and Demand Management Costs

NPEI currently only offers the OPA – contracted province wide CDM programs. All CDM activities are paid through the OPA – contracted province wide CDM programs funding. Therefore, there are no CDM costs included in NPEI's 2015 COS rate application.

Lost Revenue Adjustment Mechanism

On April 26, 2012, the Board issued the Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-003). In the Guidelines, the Board adopted a mechanism to capture the differences arising between the results of actual, verified impacts of authorized CDM activities (undertaken by LDCs between 2011 and 2014) compared to the level of CDM programs activities included in the distributors load forecast (i.e. level embedded in rates). As per the Settlement Agreement dated May 4, 2011 page 18 of 102, "The Parties agreed that the CDM Target adjustment of 5,800,000 kWhs (i.e. 1/10th of 58 million kWhs), is the appropriate baseline for any future LRAM application in accordance with the Board's standard rules for LRAM. 2011 and 2012 CDM impacts have been verified as of the timing of filing NPEI's rate application. In Exhibit 3 Tab 1 Schedule 1 Attachment 2, OEB Appendix 2-I illustrates the 2011 verified CDM kWh savings was 5,026,978 and the 2012 verified CDM kWh savings was 10,642,927 and the persistence from the 2011 and 2012 CDM programs in 2013 was 10,515,949. NPEI actual verified for the period 2011 to 2013 exceed the target adjustment of 5.8M per year and therefore no LRAM claim is being made in the 2015 COS rate application.

LRAM for pre-2011 CDM Activities

NPEI does not have any LRAM claims for pre-2011 CDM activities. NPEI submitted its last COS rate application in 2011 and CDM activities were accounted for in its weather normalization calculation.