J. Mark Rodger
T 416.367.6190
F 416.361.7088
mrodger@blg.com

Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street W
Toronto, ON, Canada M5H 3Y4
T 416.367.6000
F 416.367.6749
blg.com

Borden Ladner Gervais

November 6, 2014

Delivered by RESS and Courier

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Application for approval of the amalgamation of Niagara West Transformation Corporation and Grimsby Power Inc. under subsection 86(1)(c) of the *Ontario Energy Board Act, 1998* and related relief

We are counsel to Niagara West Transformation Corporation ("NWTC") and Grimsby Power Incorporated ("GPI"). Please find accompanying this letter an Application by NWTC and GPI for an Order approving the amalgamation of NWTC and GPI and granting other related relief.

This Application is being filed electronically through RESS, and two paper copies are being delivered to the Board.

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

Yours very truly,
BORDEN LADNER GERVAIS LLP

Original signed by J. Mark Rodger

J. Mark Rodger
Incorporated Partner*

Copy to Doug Curtiss, CEO, GPI
Shafee Bacchus, Chair, NWTC

Encls.
*Mark Rodger Professional Corporation

TOR01: 5751144: v1

ONTARIO ENERGY BOARD

IN THE MATTER OF section 86(1)(c) of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Niagara West Transformation Corporation and Grimsby Power Inc. for leave of the Board to amalgamate and continue as Grimsby Power Inc., and related relief.

APPLICATION

INTRODUCTION

1. The applicant, Niagara West Transformation Corporation ("NWTC"), is a licensed electricity transmitter (OEB Transmitter Licence ET-2010-0294), owning and operating a transmission station that provides power to two customers – Grimsby Power Inc. ("GPI") and Niagara Peninsula Energy Inc. ("NPEI") – representing a peak coincident demand load of 42.6MW as of December 2013. NWTC's transformation station is located in the Township of West Lincoln and consists of:

   - A transformer station with connection to Hydro One Networks Inc.; and
   - Transmission Lines Q23BM and Q25BM to supply power to the two local distribution companies – GPI and NPEI located at 3021 Regional Road #12, Grassie, Ontario.

2. The applicant, GPI owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy within its service territory, as specified in Distribution Licence ED-2002-0554.GPI's distribution system serves approximately 10,670 (as of December 31, 2013) Residential and General Service customers in the GPI Service Territory.

3. NWTC and GPI are wholly-owned by Niagara Power Inc. ("NPI").

4. NPI is a holding company owned by The Corporation of the Town of Grimsby ("Town of Grimsby") and FortisOntario Inc. ("FortisOntario"). All of the common shares and 90 Class A preferred shares of NPI are owned by the Town of Grimsby. FortisOntario owns 10 Class B preferred shares which entitle FortisOntario to an indirect 10% equity interest in GPI, but not other NPI assets or subsidiaries.

5. NPI has four subsidiaries:

- GPI, one of the parties to this Application, described above;
- Grimsby Hydro Inc., the deregulated company that was set up as NPI's retail affiliate. Originally, it was in the business of fibre optic telecommunications and related activities. Later, the fibre optic assets were sold for shares in a region-wide telecommunication business known as Niagara Regional Broadband Networks. Grimsby Hydro maintains a 25% equity ownership in this company along with three other utility partners.
- Grimsby Energy Inc. ("GEI"), an energy service provider. GEI is a services company which is responsible for exploring green energy and other business opportunities. GEI's assets are held by Niagara Power Inc.
- NWTC, one of the parties to this Application, described above; and
- NPI also has an indirect interest in Niagara Regional Broadband Networks, a subsidiary of Grimsby Hydro Inc.

6. In December 2012, the Board approved an application by NPI (EB-2012-0355) to acquire 50% of the shares of NWTC from Peninsula West Power Inc. ("PWPI"). Prior to that, NPI and PWPI each owned 50% of NWTC.

OVERVIEW OF APPLICATION

7. NPI proposes to cause the amalgamation of NWTC and GPI, each of NWTC and GPI being wholly owned subsidiaries of NPI. The amalgamation would be completed pursuant to the "short form" procedure provided for under the *Business Corporations Act* (Ontario). As such, the proposed amalgamation is essentially an internal reorganization which combines NPI's regulated businesses into one entity. NPI's only shareholders are the Corporation of the Town of Grimsby and FortisOntario Inc. The shareholders have approved of the reorganization, as it more closely aligns with their shareholder objectives. The parties contemplate the following items in addition to the amalgamation of the two corporations into an amalgamated entity which will continue under the name of Grimsby Power Inc.:

(a) The parties will seek Board approval of the transaction;

(b) The parties will ask that the Board make a determination under section 84 of the Act that the NWTC transmission system, which will become part of the amalgamated distributor, is a distribution system.

(c) Upon the completion of the proposed amalgamation, NPEI, which is currently served by the Transformer Station owned by NWTC and is a transmission customer of NWTC, will become a distribution customer of the amalgamated GPI. The parties will ask that the Board permit the amalgamated GPI to charge NPEI the Board-approved NWTC transmission rate of $1.77/kW as a distribution rate from the completion of the proposed transaction until GPI's next rebasing, expected to take effect January 1, 2016. As part of its next cost of service distribution rate application, to be filed in 2015 for rates effective January 1, 2016, GPI will request approval of the establishment of an Embedded Distributor customer class;

(d) The parties will also ask that the Board permit the amalgamated GPI to continue to charge its distribution customers other than NPEI a retail transmission rate that includes the NWTC TS for the period from the completion of the proposed transaction until GPI's next rebasing. In this way, GPI will be in a position to continue recovering the revenue requirement related to the TS from both NPEI and GPI's other customers until GPI's next rebasing, at which time the NWTC transmission assets will become part of the GPI rate base. Upon rebasing, GPI's customers will pay the revenue requirement related to these assets as part of GPI's distribution rates, and GPI's updated Retail Transmission Service Rates will reflect the removal of the NWTC transmission assets; and

(e) Upon completion of the proposed transaction, NWTC's Transmitter Licence will be returned for cancellation.

8. The proposed amalgamation is essentially an internal corporate reorganization which will be caused by NPI, the sole shareholder of Grimsby Power and NWTC and approved by the Town of Grimsby and FortisOntario, NPI's shareholders. No consideration will be given or received in connection with the actual amalgamation which, as noted above, will be completed under the "short form" amalgamation provisions of the *Business Corporations Act* (Ontario). The shareholders of NPI have approved the amalgamation.

BOARD APPROVALS REQUESTED

9. As discussed above, GPI and NWTC respectfully request the following relief from the Board:

(a) Under clause 86(1)(c) of the Act, NWTC and GPI seek leave of the Board to amalgamate and continue as Grimsby Power Inc.;

(b) As part of this Application, the parties ask that the Board make a determination under section 84 of the Act that the NWTC transmission system, which will become part of the amalgamated distributor, is a distribution system;

(c) The parties ask that the Board permit the amalgamated GPI to charge NPEI the Board-approved NWTC transmission rate of $1.77/kW as a distribution rate from the completion of the proposed transaction until GPI's next rebasing, expected to take effect January 1, 2016. As part of its next cost of service distribution rate application, to be filed in 2015 for rates effective January 1, 2016, GPI intends to request approval of the establishment of an Embedded Distributor customer class;

(d) The parties also ask that the Board permit the amalgamated GPI to continue to charge its customers other than GPI a retail transmission rate that includes the NWTC TS from the completion of the proposed transaction until GPI's next rebasing. In this way, GPI will be in a position to continue recovering the revenue requirement related to the TS from both NPEI and GPI's other customers until GPI's next rebasing; and

(e) Upon completion of the proposed transaction, NWTC's Transmitter Licence will be returned for cancellation.

CONSUMER PROTECTION

10. Section 1 of the Act requires that the OEB, in carrying out its responsibilities, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;

2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;

3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances;

4. To facilitate the implementation of a smart grid in Ontario; and

5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

11. In its July 3, 2014 Decision and Order in the recent Norfolk Power/Hydro One MAADs Application (EB-2013-187/EB-2013-0196/EB-2013-0198) the Board found that the "no harm test" remains the relevant benchmark and that Section 1 of the Act remains the approved determinant to meet the Board's objectives.

12. GPI and NWTC agree that moving the NWTC transmission assets into the LDC will provide for more efficient and cost-effective operation of the assets, and will avoid the additional costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance. Not only does this address the first and second objectives above, but it supports the parties' submission that this transaction will cause no harm to NPEI or to GPI's current distribution customers. The amalgamation will have no impact on the 3rd through 5th objectives in Section 1 of the Act.

- **Price of Electricity and Economic Efficiency**

13. GPI anticipates annual savings of approximately $35,000 as a result of eliminating costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance. These anticipated savings are discussed in further detail in section 1.6.2 of the Board's Application Form for Applications under Section 86 of the Act that accompanies this Application.

14. With the amalgamation of NWTC and GPI, it is assumed that the former transmission assets of NWTC will be deemed as "distribution assets" by the Board. The parties ask that the Board allow the following approaches to the recovery of the revenue requirement related to the NWTC assets during the period between the completion of the proposed transaction and the amalgamated GPI's next rebasing, expected to take effect January 1, 2016:

(a) The parties ask that the Board permit the amalgamated GPI to charge NPEI the Board-approved NWTC transmission rate of $1.77/kW as a distribution rate (this is the rate currently paid by NPEI for NWTC transformation service); and

(b) The parties also ask that the Board permit the amalgamated GPI to continue to charge its customers other than GPI a retail transmission rate that includes the NWTC transmission assets.

15. In this way, GPI will be in a position to continue recovering the revenue requirement related to the TS from both NPEI and GPI's other customers until GPI's next rebasing. Accordingly, the status quo will be maintained until GPI's next rebasing.

16. Potential rate making implications of the proposed amalgamation is provided for the Board's assistance in section 1.6.2 of the accompanying Application Form. The Applicants anticipate that those matters will be addressed in GPI's next cost of service application, expected to be filed in the spring of 2015 for rates effective January 1, 2016.

17. The overall costs will have increased by a net amount of $177,471 (after accounting for the approximately $35,000 in amalgamation-related savings discussed above) compared to the level assumed in revenue from current rates. Historically, NWTC has not recovered a return on the transmission assets equal to the Board's permitted ROE for electricity utilities, nor has it recovered its full long term debt cost through its Board-approved transmission rates. The net increase of $177,471 reflects recovery of the current OM&A and debt servicing costs for NWTC as well as the full allowed rate of return on equity.

18. Additionally, the charges to NPEI for services from the former NWTC assets are expected to increase by 25.3%. This results from the overall increase described above but is also reflective of a change in assumed allocation of the NWTC costs between NPEI and GPI from the current 42% NPEI/58% GPI to a proposed 50%/50% basis. The current allocation is based on the load (i.e. kW) transformed by the NWTC assets. Currently, the load transformed for NPEI is about 42% of the total kW transformed by the NWTC assets. However, the NWTC costs are fixed and do not vary with load. Since there are two parties or customers using the NWTC facilities (i.e. GPI and NPEI), GPI will be proposing to allocate the NWTC facilities on a customer basis rather than a kW basis in the next cost of service application. This means 50% of NWTC-related costs would be allocated to NPEI and 50% to GPI's other customers.

19. The parties emphasize that any cost allocation and rate changes discussed above and in sectiopn 1.6.2 of the Application Form are subject to Board approval. GPI's customers, including NPEI,

will have an opportunity to participate in the cost allocation and rate design methodology review in that proceeding. What the Board may ultimately accept may differ from that discussed above.

- **Adequacy, Reliability and Quality of Electricity Service**

20. Through the proposed amalgamation, the NWTC assets will be fully integrated with GPI's distribution assets to ensure the safe and secure operations and system integrity of the NWTC assets and the GPI distribution system as a whole. The acquisition will not adversely affect operational safety or system integrity. GPI is capable of operating and maintaining the assets in a manner consistent with its history of efficient and reliable operation of its distribution system in compliance with the conditions of its Distributor Licence. No new service centres will be needed in order to provide for the maintenance of the NWTC assets, nor are response times expected to change as a result of this transaction. Electric utility service to GPI's customers will remain subject to the Board's rules and regulations governing all Ontario distributors.

- **The "No Harm" Test**

21. For the reasons stated herein, GPI and NWTC submit that the proposed transaction satisfies the Board's "no harm" test and will, in fact, further protect the interest of customers with respect to prices and the adequacy, reliability and quality of electricity service and promote economic efficiency and cost effectiveness.

- **Compliance Matters**

22. NWTC currently operates under Electricity Transmitter Licence ET-2010-0294.

23. GPI's Electricity Distribution Licence is ED-2002-0554

24. To the best of GPI's knowledge, GPI is in compliance with all licence, code and rule requirements. GPI anticipates continuing to be in compliance following the completion of this transaction. Because the transmission assets will become distribution assets if the relief requested in this Application is granted, compliance with transmitter-related licence, code and rule requirements will no longer be applicable to the transmission assets or to GPI.

CONCLUSION

25. NWTC and GPI submit that the evidence warrants approval of this Application for the following reasons:

- the proposed transaction will result in the avoidance of the additional costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance; and

- the proposed transaction will not have an adverse impact on the price, adequacy, reliability and quality of electricity service for GPI's customers.

26. NWTC and GPI request that copies of all documents filed with the Board in this proceeding be served on NWTC and GPI and their respective counsel, as follows:

(a) NWTC — Shafee R. Bacchus
Chair

Address for service: 231 Roberts Road
Grimsby, Ontario
L3M 5N2

Telephone: (416) 345-6305
Fax: (416) 345-6972
E-mail: s.bacchus@bell.net

(b) NWTC's Counsel — J. Mark Rodger
Borden Ladner Gervais LLP

Address for service: Scotia Plaza
40 King St W
Toronto, Ontario
M5H 3Y4

Telephone: (416) 367-6190
Fax: (416) 361.7088
E-mail: mrodger@blg.com

(c)	GPI	Doug Curtiss, CEO
	Address for service:	231 Roberts Road Grimsby, Ontario L3M 5N2
	Telephone: Fax: E-mail:	(905) 945-5437 (905) 945-9933 dougc@grimsbypower.com
(d)	GPI's Counsel	J. Mark Rodger Borden Ladner Gervais LLP
	Address for service:	Scotia Plaza 40 King St W Toronto, Ontario M5H 3Y4
	Telephone: Fax: E-mail:	(416) 367-6190 (416) 361.7088 mrodger@blg.com

Dated at Toronto, Ontario, this 6th day of November, 2014.

NIAGARA WEST TRANSFORMATION CORPORATION

By its counsel in this proceeding
J. Mark Rodger

GRIMSBY POWER INC.

By its counsel in this proceeding
J. Mark Rodger

Ontario Energy Board

Application form for Applications under Section 86 of the *Ontario Energy Board Act, 1998*

PART I: GENERAL INFORMATION

1.1 **Nature of Applications**:

(a) Under clause 86(1)(c) of the *Ontario Energy Board Act, 1998* (the "Act"), Niagara West Transformation Corporation ("NWTC") and Grimsby Power Inc.("GPI") seek leave of the Board to amalgamate and continue as Grimsby Power Inc.

(b) As part of this Application, the parties ask that the Board make a determination under section 84 of the Act that the NWTC transmission system, which will become part of the amalgamated distributor, is a distribution system.

(c) Upon the completion of the proposed amalgamation, Niagara Peninsula Energy Inc. ("NPEI"), which is currently served by the Transformer Station owned by NWTC and is a transmission customer of NWTC, will become a distribution customer of the amalgamated GPI. The parties ask that the Board permit the amalgamated GPI to charge NPEI the Board-approved NWTC transmission rate of $1.77/kW as a distribution rate from the completion of the proposed transaction until GPI's next rebasing, expected to take effect January 1, 2016. As part of its next cost of service distribution rate application, to be filed in 2015 for rates effective January 1, 2016, GPI intends to request approval of the establishment of an Embedded Distributor customer class.

(d) The parties also ask that the Board permit the amalgamated GPI to continue to charge its customers other than GPI a retail transmission rate that includes the NWTC TS from the completion of the proposed transaction until GPI's next rebasing. In this way, GPI will be in a position to continue recovering the revenue requirement related to the TS from both NPEI and GPI's other customers until GPI's next rebasing.

(e) Upon completion of the proposed transaction, NWTC's Transmitter Licence will be returned for cancellation.

1.1.1 Application Type

☐ For leave for a transmitter or distributor to sell, lease or otherwise dispose of its transmission or distribution system as an entirety or substantially as an entirety (section 86(1)(a))

☐ For leave for a transmitter or distributor to sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public (section 86(1)(b))

☒ For leave for a transmitter or distributor to amalgamate with any other corporation (section 86(1)(c))

☐ For leave for a person to acquire voting securities that will exceed 20% of a distributor or transmitter (section 86(2)(a))

☐ For leave for a person to acquire control of a company that holds more than 20% of the voting securities of a transmitter or distributor if such voting securities constitute a significant asset of the corporation (section 86(2)(b))

1.1.2 Notice under section 80 or 81 of the Act

Is a notice of proposal required under section 80 or 81 of the Act?

☐ Yes

☒ No

If yes, the applicant must also file a completed "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the *Ontario Energy Board Act, 1998*" with the Board.

1.2 Identification of the Parties

1.2.1 Name of Applicant

Legal name of the applicant (1): Niagara West Transformation Corporation

Name of Primary Contact:

Mr. ☒ Miss ☐ Other ☐	Mrs. ☐ Ms. ☐	Last Name: Bacchus	First Name: Shafee	Initial: R
		Title/Position: Chair		

Address of Head Office: 231 Roberts Road

City	Province/State	Country	Postal/Zip Code
Grimsby	Ontario	Canada	L3M 5N2
Phone Number	**Fax Number**	**E-mail Address**	
(416) 345-6305	(416) 345-6972	s.bacchus@bell.net	

Name of Counsel: Borden Ladner Gervais LLP

Mr. ☒ Miss ☐ Other ☐	Mrs. ☐ Ms. ☐	Last Name: Rodger	First Name: Mark	Initial:
		Title/Position: Partner		

Address of Counsel: Borden Ladner Gervais LLP, Suite 4100, 40 King Street West

City	Province/State	Country	Postal/Zip Code
Toronto	Ontario	Canada	M5H3Y4

Phone Number	Fax Number	E-mail Address
(416) 367-6190	(416) 361-7088	mrodger@blg.com

Legal name of the applicant (2): Grimsby Power Inc.

Name of Primary Contact:

Mr. ☒ Mrs. ☐
Miss ☐ Ms. ☐
Other ☐ ______________

Last Name	First Name	Initial
Curtiss	Doug	

Title/Position: CEO

Address of Head Office: 231 Roberts Road

City	Province/State	Country	Postal/Zip Code
Grimsby	Ontario	Canada	L3M 5N2

Phone Number	Fax Number	E-mail Address
(519) 945-5437	(905) 945-9933	dougc@grimsbypower.com

Name of Counsel: Borden Ladner Gervais LLP

Mr. ☒ Mrs. ☐
Miss ☐ Ms. ☐
Other ☐ ______________

Last Name	First Name	Initial
Rodger	Mark	

Title/Position: Partner

Address of Counsel: Borden Ladner Gervais LLP, Suite 4100, 40 King Street West

City	Province/State	Country	Postal/Zip Code
Toronto	Ontario	Canada	M5H 3Y4

Phone Number	Fax Number	E-mail Address
(416) 367-6190	(416) 361-7088	mrodger@blg.com

Other Party to the Transaction (if more than one attach a list)
Name of the other party:

Name of Primary Contact:

Mr. ☒ Mrs. ☐	Last Name	First Name	Initial	
Miss ☐ Ms. ☐				
Other ☐ ______	Title/Position			

Address of Head Office:

City	Province/State	Country	Postal/Zip Code
		Canada	
Phone Number	**Fax Number**	**E-mail Address**	

1.3 Description of the Business of Each of the Parties

1.3.1 Please provide a description of the business of each of the parties to the proposed transaction, including each of their affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity ("Electricity Sector Affiliates").

Niagara West Transformation Corporation ("NWTC")

NWTC is a licensed electricity transmitter (OEB Transmitter Licence ET-2010-0294), owning and operating a transmission station that provides power to GPI and Niagara Peninsula Energy Inc. ("NPEI"). NWTC's transformation station is located in the Township of West Lincoln and consists of:

• A transformer station with connection to Hydro One Networks Inc.; and

• Transmission Lines Q23BM and Q25BM to supply power to the two local distribution companies – GPI and NPEI located at 3021 Regional Road #12, Grassie, Ontario.

Grimsby Power Inc. ("GPI")

GPI owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy within its service territory, as specified in Distribution Licence ED-2002-0554.

Niagara Power Inc. ("NPI")

NPI is a holding company owned by The Corporation of the Town of Grimsby ("**Town of Grimsby**") and FortisOntario Inc. ("**FortisOntario**"). All of the common shares and 90 Class A preferred shares of NPI are owned by the Town of Grimsby. FortisOntario owns 10 Class B preferred shares which entitle FortisOntario to an indirect 10% equity interest in GPI, but not other NPI assets or subsidiaries.

NPI has four subsidiaries:

• GPI, one of the parties to this Application, described above;

• Grimsby Hydro Inc., the deregulated company that was set up as NPI's retail affiliate. Originally, it was in the business of fibre optic telecommunications and related activities. Later, the fibre optic assets were sold for shares in a region-wide telecommunication business known as Niagara Regional Broadband Networks. Grimsby Hydro maintains a 25% equity ownership in this company along with three other utility partners.

• Grimsby Energy Inc. ("GEI"), an energy service provider. GEI is a services company which is responsible for exploring green energy and other business opportunities. GEI's assets are held by Niagara Power Inc.

• NWTC, one of the parties to this Application, described above; and

• NPI also has an indirect interest in Niagara Regional Broadband Networks, a subsidiary of Grimsby Hydro Inc.

In December 2012, the Board approved an application by NPI (EB-2012-0355) to acquire 50% of the shares of NWTC from Peninsula West Power Inc. ("PWPI"). Prior to that, NPI and PWPI each owned 50% of NWTC.

1.3.2 Please provide a description of the geographic territory served by each of the parties to the proposed transaction, including each of their Electricity Sector Affiliates, if applicable.

NWTC

As discussed in section 1.3.1 above, NWTC serves two local distribution companies – GPI and NPEI.

GPI

As defined in Schedule 1 to its Distribution Licence, GPI serves the geographical territory described as follows (the "GPI Service Territory"):

The Municipality of the Town of Grimsby as of November 7, 1998

1.3.3 Please provide a description of the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.

NWTC

NWTC's transformer station serves two customers, Grimsby Power and NPEI, representing a peak coincident demand load of 42.6MW as of December 2013.

GPI

GPI's distribution system serves approximately 10,670 (as of December 31, 2013) Residential and General Service customers in the GPI Service Territory.

The following table provides a summary of the number of customers and connections by customer class for December 31, 2013:

Rate Class	Number of Customers
Residential	9783
General Service < 50 kW	701
General Service 50 to 999 kW	111
General Service > 1,000 kW	0
Street Lighting	2
Unmetered Scattered Load	73
Total	

1.3.4 Please provide a description of the proposed geographic service area of each of the parties after completion of the proposed transaction.

If the Board grants approval of the amalgamation and makes the requested determination that the NWTC assets are distribution assets of the amalgamated GPI, the GPI service area will not change. NPEI will become a customer of GPI.

1.3.5 Please attach a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.

Please refer to **Attachments 1.3.5(a) and (b)** for pre- and post-reorganization corporate charts of NWTC and GPI.

1.4 <u>Description of the Proposed Transaction</u>

1.4.1 Please provide a detailed description of the proposed transaction.

NPI proposes to cause the amalgamation of NWTC and GPI, each of NWTC and GPI being wholly owned subsidiaries of NPI. The amalgamation would be completed pursuant to the "short form" procedure provided for under the *Business Corporations Act* (Ontario). As such, the proposed amalgamation is essentially an internal reorganization which combines NPI's regulated businesses into one entity. NPI's only shareholders are the Corporation of the Town of Grimsby and FortisOntario Inc. The shareholders have approved of the reorganization, as it more closely aligns with their shareholder objectives. The parties contemplate the following items in addition to the amalgamation of the two corporations into an amalgamated entity which will continue under the name of Grimsby Power Inc.:

(a) The parties will seek Board approval of the transaction;

(b) The parties will ask that the Board make a determination under section 84 of the Act that the NWTC transmission system, which will become part of the amalgamated distributor, is a distribution system.

(c) Upon the completion of the proposed amalgamation, NPEI, which is currently served by the Transformer Station owned by NWTC and is a transmission customer of NWTC, will become a distribution customer of the amalgamated GPI. The parties will ask that the Board permit the amalgamated GPI to charge NPEI the Board-approved NWTC transmission rate of $1.77/kW as a distribution rate from the completion of the proposed transaction until GPI's next rebasing, expected to take effect January 1, 2016. As part of its next cost of service distribution rate application, to be filed in 2015 for rates effective January 1, 2016, GPI will request approval of the establishment of an Embedded Distributor customer class;

(d) The parties will also ask that the Board permit the amalgamated GPI to continue to charge its distribution customers other than NPEI a retail transmission rate that includes the NWTC TS for the period from the completion of the proposed transaction until GPI's next rebasing. In this way, GPI will be in a position to continue recovering the revenue requirement related to the TS from both NPEI and GPI's other customers until GPI's next rebasing, at which time the NWTC transmission assets will become part of the GPI rate base. Upon rebasing, GPI's customers will pay the revenue requirement related to these assets as part of GPI's distribution rates, and GPI's updated Retail Transmission Service Rates will reflect the removal of the NWTC transmission assets; and

(e) Upon completion of the proposed transaction, NWTC's Transmitter Licence will be returned for cancellation.

1.4.2 Please provide the details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.

The proposed amalgamation is essentially an internal corporate reorganization which will be caused by NPI, the sole shareholder of Grimsby Power and NWTC and approved by the Town of Grimsby and FortisOntario, NPI's shareholders. No consideration will be given or received in connection with the actual amalgamation, which will be completed under the "short form" amalgamation provisions of the *Business Corporations Act* (Ontario).

1.4.3 Please attach the financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.

Please refer to the following attachments for copies of the audited financial statements for the past two (2) most recent years:

- **Attachment 1.4.3(a)** 2013 NWTC
- **Attachment 1.4.3(b)** 2012 NWTC
- **Attachment 1.4.3(c)** 2013 GPI
- **Attachment 1.4.3(d)** 2012 GPI

1.4.4 Please attach the pro forma financial statements for each of the parties (or if amalgamation, the one party) for the first full year following the completion of the proposed transaction.

The pro forma financial statements for the amalgamated GPI accompany this Application as **Attachment 1.4.4**

1.5 Documentation

1.5.1 Please provide copies of all annual reports, proxy circulars, prospectuses or other information filed with securities commissions or similar authorities or sent to shareholders for each of the parties to the proposed transaction and their affiliates within the past 2 years.

NWTC and GPI do not file any material with securities commissions.

1.5.2 Please list all legal documents (including those currently in draft form if not yet executed) to be used to implement the proposed transaction.

Resolutions of the shareholders of NPI (the Town of Grimsby and FortisOntario Inc.) are discussed below at section 1.9.1.Resolutions of the directors of GPI and NWTC are also discussed below at section 1.9.1.

1.5.3 Please list all Board issued licences held by the parties and confirm that the parties will be in compliance with all licence, code and rule requirements both before and after the proposed transaction. If any of the parties will not be in compliance with all applicable licences, codes and rules after completion of the proposed transaction, please explain the reasons for such non-compliance. (Note: any application for an exemption from a provision of a rule or code is subject to a separate application process.)

NWTC currently operates under Electricity Transmitter Licence ET-2010-0294. GPI's Electricity Distribution Licence is ED-2002-0554 To the best of GPI's knowledge, GPI is in compliance with all licence, code and rule requirements. GPI anticipates continuing to be in compliance following the completion of this transaction. Because the transmission assets will become distribution assets if the relief requested in this Application is granted, compliance with transmitter-related licence, code and rule requirements will no longer be applicable to the transmission assets or to GPI.

1.6 Consumer Protection

1.6.1 Please explain whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.

As mentioned above, the parties' intention is that the the Board will make a determination that the NWTC transmission assets will be distribution assets and will become part of the GPI distribution system. The amalgamated entity will continue as GPI.

1.6.2 Please indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.

1. GPI anticipates annual savings of approximately $35,000 as a result of eliminating costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance. These savings are illustrated in the following table:

Description of Savings	Expense	Comments
Third party services for book keeping and auditors of annual financial statements	15,520	Book keeping services will be performed by GPI; the NWTC audit will not be required because it will be part of GPI's audit
Expenses associated with the Board of Directors of NWTC	16,054	A Board will not be required – GPI's Board will take over governance of NWTC assets
Regulatory fees from OEB which applies Transmitters	2,544	NWTC's transmission license will no longer exist and therefore no regulatory fees will apply
Miscellaneous third party administrative services	1,081	NWTC has no employees and required administrative services to support the function of the Board
Total Savings	35,199	

2. With the amalgamation of NWTC and GPI, it is assumed that the former transmission assets of NWTC will be deemed as "distribution assets" by the Board. The parties ask that the Board allow the following approaches to the recovery of the revenue requirement related to the NWTC assets during the period between the completion of the proposed transaction and the amalgamated GPI's next rebasing, expected to take effect January 1, 2016:

    a. The parties ask that the Board permit the amalgamated GPI to charge NPEI the Board-approved NWTC transmission rate of $1.77/kW as a distribution rate (this is the rate currently paid by NPEI for NWTC transformation service); and

    b. The parties also ask that the Board permit the amalgamated GPI to continue to charge its customers other than GPI a retail transmission rate that includes the NWTC transmission assets.

    In this way, GPI will be in a position to continue recovering the revenue requirement related to the TS from both NPEI and GPI's other customers until GPI's next rebasing. Accordingly, the status quo will be maintained until GPI's next rebasing.

3. The remainder of this discussion regarding potential rate making implications of the proposed amalgamation is provided for the Board's assistance. The Applicants anticipate that the following matters will be addressed in GPI's next cost of service application, expected to be filed in the spring of 2015 for rates effective January 1, 2016.

4. Upon GPI's next rebasing, the retail transmission service rates ("**RTSRs**") for GPI customers will no longer include the cost of the former NWTC assets, as they will be treated as distribution assets. In addition, an embedded distributor rate class will be established by GPI to charge NPEI an appropriate distribution charge for the services provided by GPI from the former NWTC assets.

5. The parties note that the following comments with respect to rate impacts on GPI's next rebasing are based on certain adjustments to the allocation of costs related to the NWTC assets as between NPEI and GPI's other customers. Those adjustments are currently contemplated by the parties and will be addressed in GPI's next rebasing application. This intended approach will be subject to review by the Board in that proceeding, and the parties respectfully submit that the proposed amalgamation should be considered as a distinct matter from the intended adjustment of the allocation of costs related to the NWTC assets.

6. The following table outlines an estimate of the distribution bill impact resulting from the amalgamation using 2013 actual costs for GPI and 2013 NWTC costs assuming full cost recovery.

Distribution Cost Analysis				
Rate Class	Amalgamation of GPI and NWTC with 50% of NWTC to NPEI	Status Quo	$Difference	%Difference
Residential	$3,457,362	$3,404,806	$52,556	1.5%
GS <50	$573,415	$542,799	$30,616	5.3%
GS>50-Regular	$886,432	$899,955	($13,523)	(1.5%)
Street Light	$141,436	$140,131	$1,306	0.9%
Unmetered Scattered Load	$25,358	$25,764	($406)	(1.6%)
Embedded Distributor - NPEI	$422,062	$315,139*	$106,923	25.3%
Total	**$5,506,066**	**$5,328,595**	**$177,471**	**3.2%**

* The "status quo" value for NPEI reflects the estimated amounts that are currently billed to NPEI for transmission service from NWTC.

7. The overall costs will have increased by a net amount of $177,471 (after accounting for the approximately $35,000 in amalgamation-related savings discussed above) compared to the level assumed in revenue from current rates. Historically, NWTC has not recovered a return on the transmission assets equal to the Board's permitted ROE for electricity utilities, nor has it recovered its full long term debt cost through its Board-approved transmission rates. The net increase of $177,471 reflects recovery of the current OM&A and debt servicing costs for NWTC as well as the full allowed rate of return on equity.

8. Additionally, the charges to NPEI for services from the former NWTC assets are expected to increase by 25.3%. This results from the overall increase described above but is also reflective of a change in assumed allocation of the NWTC costs between NPEI and GPI from the current 42% NPEI/58% GPI to a proposed 50%/50% basis. The current allocation is based on the load (i.e. kW) transformed by the NWTC assets. Currently, the load transformed for NPEI is about 42% of the total kW transformed by the NWTC assets. However, the NWTC costs are fixed and do not vary with load. Since there are two parties or customers using the NWTC facilities (i.e. GPI and NPEI), GPI will be proposing to allocate the NWTC facilities on a customer basis rather than a kW basis in the next cost of service application. This means 50% of NWTC-related costs would be allocated to NPEI and 50% to GPI's other customers.

9. The bill impacts shown for the Residential, GS <50, GS>50-Regular, Street Light and the Unmetered Scattered Load classes reflect the overall increase in NWTC-related costs described in paragraph 5 and the change in allocation of those costs explained in paragraph 6. In addition, once the NWTC costs are assumed to be distribution costs and integrated into GPI's revenue requirement, they are allocated more accurately to rate classes in the distribution cost allocation model compared to the method used to recover the NWTC costs in the RTSR. The allocation of costs assumed in the RTSR is based on a method developed by the Board when the first RTSR rates were established during the 2001/2002 time period, whereas distribution cost allocation and rate design methodology has been refined since that time.

10. The parties emphasize that any cost allocation and rate changes discussed above are subject to Board approval. GPI's customers, including NPEI, will have an opportunity to participate in the cost allocation and rate design methodology review in that proceeding. What the Board may ultimately accept may differ from that discussed above.

1.6.3 Please describe the steps, including details of any capital expenditure plans that will be taken to ensure that operational safety and system integrity are maintained after completion of the proposed transaction.

Through the amalgamation described herein, the NWTC assets will be fully integrated with GPI's distribution assets to ensure the safe and secure operations and system integrity of the NWTC assets and the GPI distribution system as a whole. The acquisition will not adversely affect operational safety or system integrity. GPI is capable of operating and maintaining the assets in a manner consistent with its history of efficient and reliable operation of its distribution system in compliance with the conditions of its Distributor Licence.

1.6.4 Please provide details, including any capital expenditure plans, of how quality and reliability of service will be maintained after completion of the proposed transaction. Indicate where service centres will be located and expected response times.

As noted above, GPI is capable of operating and maintaining the assets in a manner consistent with its history of efficient and reliable operation of its distribution system in compliance with the conditions of its Distributor Licence. No new service centres will be needed in order to provide for the maintenance of the NWTC assets, nor are response times expected to change as a result of this transaction. Electric utility service to GPI's customers will remain subject to the Board's rules and regulations governing all Ontario distributors.

1.6.5 Please indicate whether the parties to the proposed transaction intend to undertake a rate harmonization process after the proposed transaction is completed. If yes, please provide a description of the plan.

Please see section 1.6.2 above for a discussion of the parties' intended treatment of rates related to the NWTC assets.

1.6.6 If the application is for an amalgamation, please provide a proposal for the time of rebasing the consolidated entity in accordance with the five-year limit set by the Board.

GPI intends to rebase for January 1, 2016.

1.6.7 Please identify all incremental costs that the parties to the proposed transaction expect to incur. These may include incremental transaction costs, (i.e., legal), incremental merged costs (i.e., employee severances), and incremental ongoing costs (i.e., purchase and maintenance of new IT systems). Please explain how the new utility plans to finance these costs.

The transaction will not result in a new utility.

Incremental costs associated with the transaction include costs incurred for due diligence, to negotiate and complete the transaction, and costs associated with all necessary regulatory approvals. These costs are being paid by Niagara Power Inc. and as such will not affect GPI's ratepayers**.**

1.6.8 Please describe the changes, if any, in distribution or transmission rate levels (as applicable) and the impact on the total bill that may result from the proposed transaction.

Please see section 1.6.2 above for a discussion of the parties' intended treatment of rates related to the NWTC assets.

1.6.9 Please provide details of the costs and benefits of the proposed transaction to the customers of the parties to the proposed transaction.

As discussed in section 1.6.2 above, the parties submit that moving the NWTC transmission assets into the distributor will provide for more efficient and cost-effective operation of the assets, and will avoid the additional costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance. The parties anticipate annual savings of approximately $35,000 as a result of the elimination of this duplication and the additional regulatory requirements.

Anticipated impacts on customers resulting from the integration of the NWTC assets into the GPI distribution system and from the intended change in allocation of costs as between NPEI and GPI's other customers are also discussed in section 1.6.2 above. As discussed in that section, the Applicants anticipate that matters related to the revised revenue requirement for the amalgamated GPI will be addressed in GPI's next cost of service distribution rate application.

This transaction meets the Board's objectives as set out in Section 1 of the Act.

1.7 <u>Economic Efficiency</u>

1.7.1 Please indicate the impact the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity). Details on the impacts of the proposed transaction on economic efficiency and cost effectiveness should include, but are not limited to, impacts on administration support functions such as IT, accounting, and customer service.

GPI and NWTC agree that moving the NWTC transmission assets into the LDC will provide for more efficient and cost-effective operation of the assets, and will avoid the additional costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance. Anticipated cost savings resulting from the amalgamation are discussed in Section 1.6.2, above.

1.8 <u>Financial Viability</u>

1.8.1 Please provide a valuation of any assets or shares that will be transferred in the proposed transaction. Provide details on how this value was determined, including any assumptions made about future rate levels.

The values of the NWTC and GPI assets can be seen in the 2013 NWTC and GPI Financial Statements included with this Application as Attachments 1.4.3(a) and (c) respectively. The proposed amalgamation is essentially an internal corporate reorganization which will be caused by NPI, the sole shareholder of GPI and NWTC. No consideration will be given or received in connection with the actual amalgamation, which will be completed under section 177(2) ("short form" amalgamation provisions) of the *Business Corporations Act* (Ontario). The only shareholders of NPI are the Corporation of the Town of Grimsby and FortisOntario Inc. Both the Town of Grimsby and FortisOntario Inc. have approved the transaction.

Please refer to Section 1.6.2 above for discussion regarding future rate levels anticipated upon rebasing, which will be subject to Board approval in GPI's next cost of service distribution rate application.

1.8.2 If the price paid as part of the proposed transaction is significantly more than the book value of the assets of the selling utility, please provide details as to why this price will not have an adverse affect on the economic viability of the acquiring utility.

As noted in the preceding section, the proposed amalgamation is essentially an internal corporate reorganization which will be caused by NPI, the sole shareholder of Grimsby Power and NWTC. No consideration will be given or received in connection with the actual amalgamation, which will be completed under the "short form" amalgamation provisions of the *Business Corporations Act* (Ontario). The parties have proposed approaches to distribution rates and Retail Transmission Service Rates in section 1.6.2 above that will allow the amalgamated GPI to continue recovering the revenue requirement related to the TS both until GPI's next rebasing, and beyond the next rebasing when the former NWTC assets are integrated into GPI's distribution assets. Accordingly, this transaction will not have an adverse impact on the economic viability of the amalgamated Grimsby Power Inc.

1.8.3 Please provide details of the financing of the proposed transaction.

As noted in section 1.8.1, the proposed amalgamation is essentially an internal corporate reorganization which will be caused by NPI, the sole shareholder of Grimsby Power and NWTC. No consideration will be given or received in connection with the actual amalgamation.

1.8.4 If the proposed transaction involves a leasing arrangement, please identify separately any assets in the service area that are owned, from those assets that are encumbered by any means, e.g., subject to a lease or debt covenant.

This transaction does not involve a leasing arrangement.

1.8.5 Please outline the capital (debt/equity) structure, on an actual basis, of the parties to the proposed transaction prior to the transaction and on a pro forma basis after completion of the proposed transaction. In order to allow the Board to assess any potential impacts on the utility's financial viability, please include the terms associated with the debt structure of the utility as well as the utility's dividend policy after the completion of the proposed transaction. Please ensure that any debt covenants associated with the debt issue are also disclosed.

Prior to the proposed transaction, GPI's actual capital (debt to equity) structure is 51.7%/48.3% as at December 31, 2013 per their audited financial statements. For the same period, Niagara West Transformation Corporation's actual debt to equity capital structure is 82.3%/17.7% per their audited financial statements.

Following the completion of theProposed Transaction, the new Grimsby Power Inc.'s capital structure is anticipated to be 59.0% debt/41.0% equity.

Both GPI and Niagara West Transformation Corporation have third party debt with the Toronto Dominion (TD) Bank. GPI has the following debt as at December 31, 2013:

- TD Term Loan of $1,347,901 maturing April 2017
- TD Term Loan of $289,578 maturing December 2016
- TD Term Loan of $1,200,000 maturing December 2013
- Promissory Note to the Town of Grimsby of $5,782,747

In 2014 Grimsby Power Inc. has arranged an additional Term Loan with the TD bank in the amount of $1,500,000 maturing December 2014.

Niagara West Transformation Corporation has a term loan in the form of an interest rate swap agreement in the amount of $4,042,000.

Both Grimsby Power Inc. and Niagara West Transformation Corporation have provided certain financial covenants with respect to the loans as follows:

Grimsby Power Inc.:

- Maintain a maximum Debt to Capitalization ratio of 0.60:1
- Minimum Debt Service Coverage ratio of not less than 1.20

Niagara West Transformation Corp.:

- Minimum Debt Service Coverage ratio of not less than 1.1

The new amalgamated entity will meet the financial covenants following the proposed transaction.

Grimsby Power Inc.'s dividend policy provides for the payment of an annual dividend target of 50% of annual net earnings as stated in the prior years audited financial statements. A dividend policy for the new amalgamated entity will be determined following the proposed transaction.

1.8.6 Please provide details of any potential liabilities associated with the proposed transaction in relation to public health and safety matters or environmental matters. These may be matters that have been identified in the audited financial statements or they may be matters that the parties have become aware of since the release of the most recently audited financial statements. If there are any pre-existing potential liabilities regarding public health and safety matters or environmental matters for any party to the proposed transaction, provide details on how the parties propose to deal with those potential liabilities after the transaction is completed. Specify who will have on-going liability for the pre-existing potential liabilities.

No material liability matters are associated with the proposed transaction. If any arise between the date of this application and the completion of the proposed amalgamation, the amalgamated entity will have on-going liability. Grimsby Power is an experienced distributor and is capable of addressing any issue that might arise.

1.9 <u>Other Information</u>

1.9.1 If the proposed transaction requires the approval of a parent company, municipal council or any other entity please provide a copy of appropriate resolutions indicating that all such parties have approved the proposed transaction.

Copies of the resolutions of the Town of Grimsby and FortisOntario authorizing the amalgamation are provided as **Attachment 1.9.1(a) and (b)**, respectively. Copies of the forms of resolutions of the directors of GPI and of the directors of NWTC authorizing the amalgamation are provided as **Attachment 1.9.1(c)**. These directors' resolutions will be executed following OEB approval of the proposed amalgamation.

1.9.2 Please list all suits, actions, investigations, inquiries or proceedings by any government body, or other legal or administrative proceeding, except proceedings before the Board, that have been instituted or threatened against each of the parties to the proposed transaction or any of their respective affiliates.

There are none associated with the parties to this Application related to this transaction.

1.9.3 Regarding net metering thresholds, the Board will, absent exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remainingutility. Please indicate the current net metering thresholds of the utilities involved in the proposed transaction. Please also indicate if there are any special circumstances that may warrant the Board using a different methodology to determine the net metering threshold for the new or remaining utility.

The current net metering threshold for GPI is 416 kW. This threshold will not change as a result of the transaction.. There are no special circumstances that warrant the Board using a different methodology to determine the net metering threshold for the amalgamated utility.

1.9.4 Please provide the Board with any other information that is relevant to the application. When providing this additional information, please have due regard to the Board's objectives in relation to electricity.

Section 1 of the Act requires that the OEB, in carrying out its responsibilities, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to prices and the adequacy, reliabilityand quality of electricity service;

2. To promote economic efficiency and cost effectiveness in the generation, transmission,distribution, sale and demand management of electricity and to facilitate the maintenanceof a financially viable electricity industry;

3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances;

4. To facilitate the implementation of a smart grid in Ontario; and

5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

In its July 3, 2014 Decision and Order in the recent Norfolk Power/Hydro One MAADs Application (EB-2013-187/EB-2013-0196/EB-2013-0198) the Board found that the "no harm test" remains the relevant benchmark and that Section 1 of the Act remains the approved determinant to meet the Board's objectives**.**

As noted above, GPI and NWTC agree that moving the NWTC transmission assets into the LDC will provide for more efficient and cost-effective operation of the assets, and will avoid the additional costs associated with a duplicate administrative structure and another layer of (transmitter-related) regulatory compliance. Not only does this address the first and second objectives above, but it supports the parties' submission that this transaction will cause no harm to NPEI or to GPI's current distribution customers. The amalgamation will have no impact on the 3rd through 5th objectives in Section 1 of the Act.

PART II: CERTIFICATION AND ACKNOWLEDGMENT

2.1 Certification and Acknowledgment

I certify that the information contained in this application and in documents provided are true and accurate.

Signature of Key Individual	Print Name of Key Individual Shafee Bacchus	Title/Position Chair
	Date November 3, 2014	Company Niagara West Transformation Corporation

Signature of Key Individual	Print Name of Key Individual Doug Curtiss	Title/Position CEO
	Date November 3, 2014	Company Grimsby Power Inc.

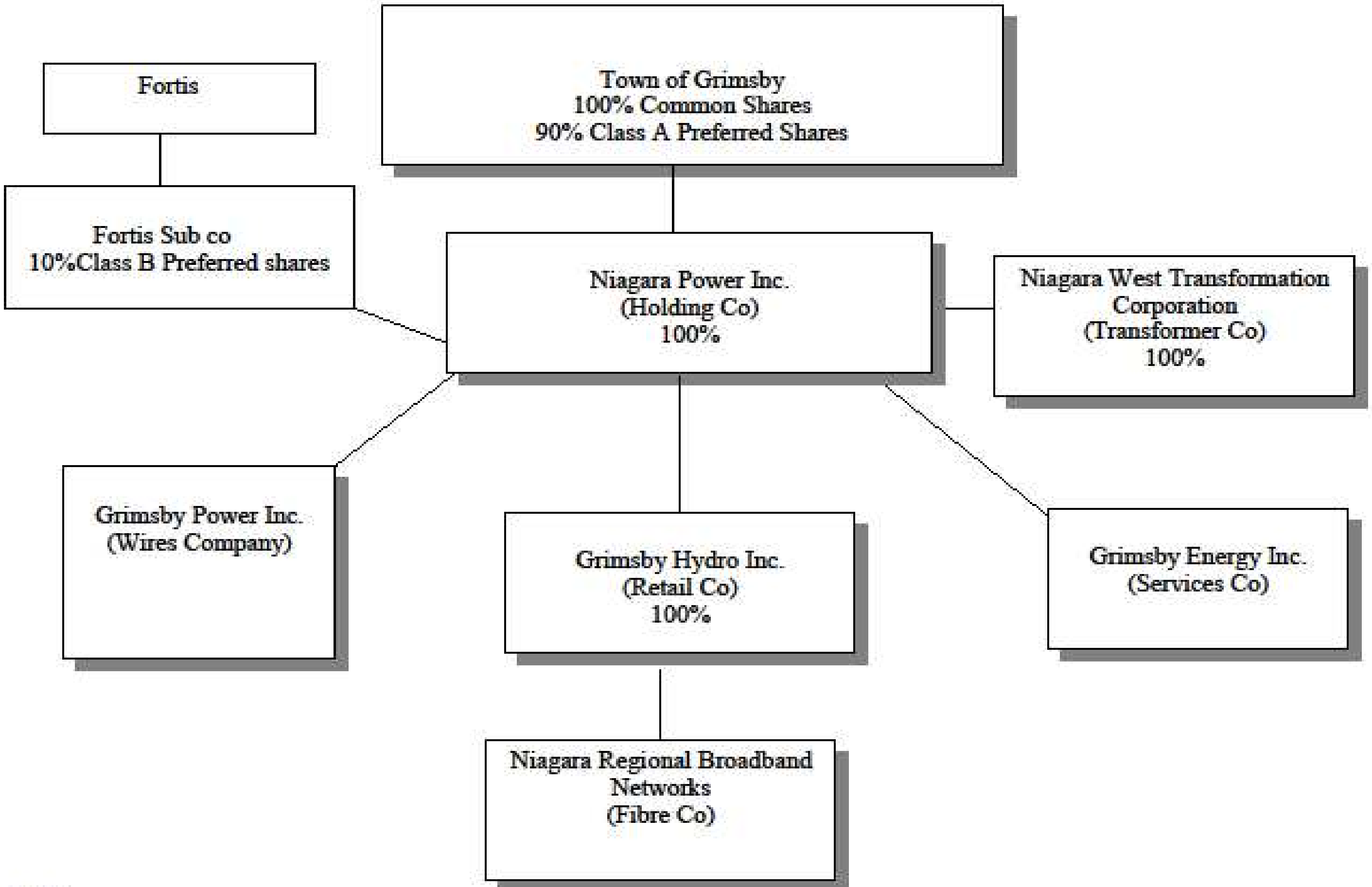
(Must be signed by a key individual. A key individual is one that is responsible for executing the following functions for the applicant: matters related to regulatory requirements and conduct, financial matters and technical matters. These key individuals may include the Chief Executive Officer, the Chief Financial Officer, other officers, directors or proprietors.)

TOR01: 5675439: v14

Attachment 1.3.5 (a)

Pre-reorganization corporate chart of NWTC and GPI

CORPORATE STRUCTURE OF NIAGARA POWER INC.



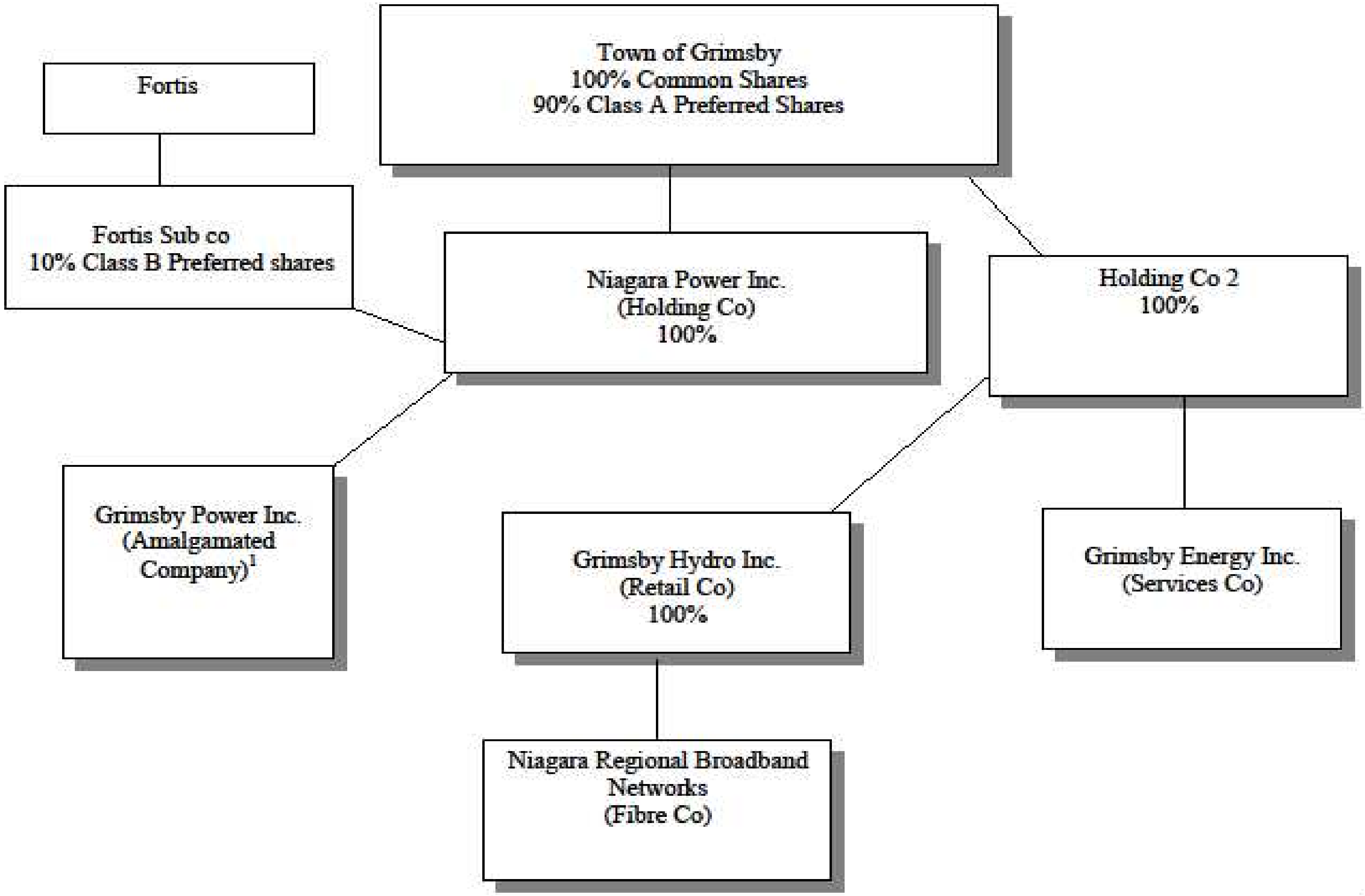
January 2013

Attachment 1.3.5 (b)

Post-reorganization corporate chart of NWTC and GPI

CORPORATE STRUCTURE OF NIAGARA POWER INC.

POST-REORGANIZATION



1

[1] Original Grimsby Power Inc. and Niagara West Transformation Corporation Amalgamated

Attachment 1.4.3 (a)

2013 NWTC audited financial statements

NIAGARA WEST TRANSFORMATION CORPORATION

FINANCIAL STATEMENTS

For the year ended December 31, 2013

Millards
Chartered Accountants

NIAGARA WEST TRANSFORMATION CORPORATION

For the year ended December 31, 2013

INDEX

Millards
Chartered Accountants
P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Directors of
Niagara West Transformation Corporation

We have audited the accompanying financial statements of Niagara West Transformation Corporation, which comprise the statement of financial position as at December 31, 2013, and the statements of retained earnings, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Niagara West Transformation Corporation as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter
The financial statements of Niagara West Transformation Corporation as at December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on July 25, 2013.

Millard, Rouse & Rosebrugh LLP

July 4, 2014

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Millard, Rouse & Rosebrugh LLP
Brantford • Hagersville • Simcoe • Delhi • Norwich • Tillsonburg

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012
ASSETS		
Current Assets		
Cash and bank	1,133,755	84,823
Accounts receivable	118,350	91,376
Prepaid expenses	35,949	21,078
	1,288,054	197,277
Property, Plant and Equipment (Note 3)	5,846,510	6,028,479
	7,134,564	6,225,756
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	91,279	53,537
Unrealized loss on fair value of interest rate swap agreement	701,142	1,028,128
Contract advance - HAF Wind Project (Note 4)	958,295	-
Advance from related party (Note 7)	150,000	-
Current portion of long term liability	266,000	246,000
	2,166,716	1,327,665
Long-term Liabilities		
Term loan (Note 5)	4,042,000	4,328,000
	6,208,716	5,655,665
SHAREHOLDER'S EQUITY		
Capital Stock (Note 6)	2,400,100	2,400,100
Deficit	(1,474,252)	(1,830,009)
	925,848	570,091
	7,134,564	6,225,756

Approved on behalf of the Board of Directors:

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2013	2012
Retained Earnings - Beginning of Year	(1,830,009)	(2,000,080)
Net Income	355,757	170,071
Retained Earnings - End of Year	(1,474,252)	(1,830,009)

See accompanying notes

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF INCOME

For the year ended December 31	2013	2012
Revenue		
Transformer connection charges	744,147	767,941
Other revenue	1,448	1,680
HAF Wind Project (Schedule)	89,215	-
	834,810	769,621
Expenses		
Amortization	181,969	181,699
General administration expense	271,963	265,812
Interest	262,892	298,398
HAF Wind Project - net (Schedule)	89,215	-
	806,039	745,909
Income from Operations	28,771	23,712
Gain on Change in Fair Value of Interest Rate Swap Agreement	326,986	146,359
Net Income	355,757	170,071

See accompanying notes

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31	2013	2012
Cash Flows From Operating Activities		
Net Income	355,757	170,071
Charges (credits) to income not involving cash:		
Amortization	181,969	181,699
(Gain) on change in FMV of interest rate swap agreement	(326,986)	(146,359)
	210,740	205,411
Change in non-cash working capital:		
Accounts receivable	(26,974)	6,003
Prepaid expenses	(14,871)	(231)
Accounts payable and accrued liabilities	37,742	6,120
Contract advance - HAF Wind Project	958,295	-
	1,164,932	217,303
Cash Flows From Financing Activities		
Advance from related party	150,000	-
Repayment of term loan	(266,000)	(228,000)
	(116,000)	(228,000)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	-	(21,581)
Net Change in Cash and Cash Equivalents	1,048,932	(32,278)
Opening Cash and Cash Equivalents	84,823	117,101
Closing Cash and Cash Equivalents	1,133,755	84,823

See accompanying notes

1. NATURE OF ACTIVITIES

Niagara West Transformation Corporation ("the Company"), is incorporated under the laws of Ontario and its principal business activity is to step-down voltage in order to provide reliable distribution supply to its two local utility customers.

The Company is regulated by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfil their obligations to connect service customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. Significant accounting policies are summarized below:

(a) Regulation

The Company is regulated by the OEB. The OEB has the power and responsibility to approve or fix rates for the transformer connection fees that the Company charges. the OEB may also prescribe license requirements and conditions of service which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments.

The Company has a Transmission License from the OEB stating that the Company owns a transmission station connected to Hydro One Networks Inc. that provides power to the service areas of licensed distributors Niagara Peninsula Energy Inc. and Grimsby Power Inc. The Decision and Order are dated December 24, 2010 and expire December 23, 2030.

(b) Use of Estimates

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements. These have been made using careful judgment.

Accounts receivable are stated after evaluation of amounts expected to be collected and an appropriate valuation allowance. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost. The cost and related accumulated amortization of the capital assets are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification permits their removal at retirement or disposition. Gains and losses at retirement or disposition are credited or charged to income. Amortization is provided for in the accounts as follows:

Buildings	50	years straight line
Distribution stations	25	years straight line

(e) Revenue Recognition

Revenue from the transformation of electricity is recorded on the basis of peak demand for the month and is recognized when the peak demand has occurred. Other revenue is recognized as earned.

(f) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The company has classified its financial instruments are follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Interest rate swap agreement	Held-for-trading
Deferred Revenue	Other liabilities
Term Loan	Other liabilities

Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of income or loss. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method.

3. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2013	2012
Land	149,992	-	149,992	149,992
Buildings	1,256,185	246,473	1,009,712	1,034,836
Distribution stations	6,273,798	1,586,992	4,686,806	4,843,651
	7,679,975	1,833,465	5,846,510	6,028,479

4. CONTRACT ADVANCE - HAF WIND PROJECT

On January 8, 2013, an embedded generation facility cost connection agreement between Niagara Peninsula Energy Incorporated (NPEI) and the Company was established. Within the agreement, NPEI requested the Company to perform work on NPEI's transmitter assets.

NPEI advanced the Company $1,047,510 on February 12, 2013 to initiate the work on this project. All costs related to the project are to be covered by this payment. Upon receipt of the payment, the Company setup the amounts as deferred revenue, and it is being brought into income as payments for the project are being made.

5. TERM LOAN

The term loan is a variable rate loan issued as bankers acceptances and is due March 9, 2017. The loan is secured by a general security agreement, an assignment of fire and liability insurance and by a general security agreement and a limited guarantee loan from Niagara Power Inc. in the amount of $3,250,000.

The Company has entered into a swap transaction for the full amount of the debt, the effect of which is to fix the interest rate of the loan at 5.6% until January 1, 2015. The fair value of the interest rate swap agreement is based on discounted future cash flows of amounts estimated by the Company's bank of the cost or benefit of the swap contracts until the end of the term of the loan. At December 31, 2013, the interest rate swap agreement was in a net unfavourable position of $701,142 (2012 - $1,028,128). This unfavourable amount has been included as a current liability and the impact of the change in fair value of the interest rate swap agreement, in the amount of $326,986, is included in net income.

	2013	**2012**
Term loan - as described above	4,308,000	4,574,000
Less: principal due within one year	266,000	246,000
	4,042,000	4,328,000

The Company has agreed to certain covenants with respect to this loan, including a minimum debt service coverage ratio and a minimum tangible net worth. As at December 31, 2013, the Company was not in compliance with these particular covenants. Subsequent to year end, a conditional waiver of compliance was received from the Company's bank for the covenants for fiscal 2013 and confirming their intention to not demand or accelerate payment of the loan during 2014.

Based upon current repayment terms, the estimated annual principal repayments for the next five years are as follows:

2014	266,000
2015	284,000
2016	306,000
2017	329,000
2018	351,000
Thereafter	2,772,000

6. CAPITAL STOCK

		2013	2012
Authorized			
Unlimited number of common shares			
Unlimited Class A special shares, non-voting, redeemable at $10,000 per share			
Issued			
100	Common shares	100	100
240	Class A special shares	2,400,000	2,400,000
		2,400,100	2,400,100

7. RELATED PARTY TRANSACTIONS

Until December 31, 2012, the Company was under common ownership by Peninsula West Power Inc. and Niagara Power Inc. As of January 1, 2013, the Company is 100% owned by Niagara Power Inc.

During the year, the Company recorded transformer connection charges of $315,139 (2012 - $315,088) and $429,008 (2012 - $452,853) from Niagara Peninsula Energy Inc. and Grimsby Power Inc. respectively.

As at December 31, 2013, included in accounts receivable were amounts due from Niagara Peninsula Energy Inc. and Grimsby Power Inc. in the amounts of $80,186 (2012 - $53,941) and $38,164 (2012 - $37,435) respectively.

During the year, the Company incurred $57,060 in maintenance costs related to a service agreement with Rondar Inc. At December 31, 2013 trade accounts payable included $43,267 due to Rondar Inc. At December 31, 2012, the service agreement was with Niagara Peninsula Energy Inc. and the Company incurred $11,159 in maintenance costs. At December 31, 2012, trade accounts payable included $1,168 owing to Niagara Peninsula Energy Inc.

During the year, the Company paid $15,172 (2012 - $14,596) to Grimsby Power Inc. for consulting and other services.

During the year, the Company paid $16,550 (2012 - $16,500) to a Director of the Company for the supervision of operating activities.

During the year, Niagara Power Inc. advanced the Company $150,000 to assist with operations, the amount is without interest and has no set terms of repayment.

All transactions are measured at the exchange amount, are under similar terms with non-related parties and are in the normal course of business.

8. PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Pursuant to the Electricity Act, 1998 (Ontario), the Company is required to compute taxes under the Income Tax Act and Ontario Corporations Tax Act and remit such amounts computed hereunder to the Ministry of Finance (Ontario).

The Company has Provincial non-capital losses in the amount of approximately $657,944 available for carry forward to reduce future years' payments in lieu of taxes which expire as follows:

December 31,	2015	206,925
	2026	157,321
	2028	128,090
	2030	118,425
	2031	47,183
		657,944

9. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Liquidity risk

Liquidity is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors collection efforts to ensure sufficient cash flows are generated from operations to meet current debt obligations. The Company expects that cash flow from operations in fiscal 2014 will be adequate to fund on-going investment in working capital and capital expenditures.

Credit Risk

The Company's had a significant exposure of sales to two customers during the year. As at December 31, 2013, all of the Company's accounts receivable related to two customers. This amount is current and management monitors collections on a regular basis and is not aware of any collection issues related to these accounts.

Interest Rate Risk

Derivative financial instrument

The Company utilizes an interest rate swap contract to manage the risk associated with fluctuations in interest rates. The Company's policy is not to utilize financial instruments for trading or speculative purposes. The interest rate swap contract is used to reduce the impact of fluctuating interest rates on the Company's long term debt. The swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long term debt.

NIAGARA WEST TRANSFORMATION CORPORATION

SCHEDULE OF CONTRACT ADVANCE - HAF WIND PROJECT
For the year ended December 31, 2013

	2013	2012
Revenue		
Interest earned on account	9,453	-
Funds received from NPEI	1,047,510	-
	1,056,963	-
Expenses Incurred		
Tetra Tech Engineering Services	43,685	-
AESI Engineering	8,151	-
GPI Professional Services	32,982	-
Borden Ladner Gervais	6,494	-
Virelec	6,428	-
Other Expenses	928	-
	98,668	-
Contract Advance	958,295	-
Income earned in the year	(9,453)	-
Costs incurred in the year	98,668	-
Funds Taken Into Income	89,215	-

Attachment 1.4.3 (b)

2012 NWTC audited financial statements

NIAGARA WEST TRANSFORMATION CORPORATION

Financial Statements
for the Year Ended December 31, 2012
and Independent Auditors' Report to the Board of Directors

DURWARD JONES BARKWELL & COMPANY LLP Chartered Accountants

NIAGARA WEST TRANSFORMATION CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2012

CONTENTS

CHARTERED ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP
8 Christie Street, P.O. Box 261
Grimsby, Ontario L3M 4G5
905.945.5439 866.830.7531 Fax 905.945.1103
grimsby@djb.com www.djb.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Niagara West Transformation Corporation:

We have audited the accompanying financial statements of Niagara West Transformation Corporation, which comprise the balance sheet as at December 31, 2012 and the statements of income and deficit and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Niagara West Transformation Corporation as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Durward Jones Barkwell & Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
May 30, 2013

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF INCOME AND DEFICIT
YEAR ENDED DECEMBER 31, 2012

	2012	2011
REVENUE		
Transformer connection charges	**$ 767,941**	$ 740,984
Other revenue	**1,680**	1,615
	769,621	742,599
EXPENSES		
Administration	**265,812**	262,288
Depreciation	**181,699**	180,891
Interest	**298,398**	312,126
	745,909	755,305
INCOME (LOSS) FROM OPERATIONS	**23,712**	(12,706)
GAIN (LOSS) ON CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENT	**146,359**	(348,672)
NET INCOME (LOSS)	**170,071**	(361,378)
DEFICIT, BEGINNING OF YEAR	**(2,000,080)**	(1,638,702)
DEFICIT, END OF YEAR	**$(1,830,009)**	$(2,000,080)

NIAGARA WEST TRANSFORMATION CORPORATION

BALANCE SHEET
DECEMBER 31, 2012

	2012	2011
ASSETS		
Current assets		
Cash	$ **84,823**	$ 117,101
Accounts receivable	**91,376**	97,379
Prepaid expenses	**21,078**	20,847
	197,277	235,327
Property and equipment (Note 2)	**6,028,479**	6,188,597
	$ 6,225,756	$ 6,423,924
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 3)	$ **53,537**	$ 47,417
Unrealized loss on fair value of interest rate swap agreement	**1,028,128**	1,174,487
Scheduled repayments of term loan	**246,000**	228,000
	1,327,665	1,449,904
Term loan (Note 4)	**4,328,000**	4,574,000
	5,655,665	6,023,904
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
Unlimited common shares		
Unlimited Class A special shares, non-voting, redeemable at $10,000 per share		
Issued		
100 common shares	**100**	100
240 Class A special shares	**2,400,000**	2,400,000
	2,400,100	2,400,100
Deficit	**(1,830,009)**	(2,000,080)
	570,091	400,020
	$ 6,225,756	$ 6,423,924

Approved by the Board:

.... Director .... Director

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Net income (loss)	$ **170,071**	$ (361,378)
Items not affecting cash		
Depreciation	**181,699**	180,891
Loss (gain) on change in fair value of interest rate swap agreement	**(146,359)**	348,672
	205,411	168,185
Changes in non-cash operating assets and liabilities		
Accounts receivable	**6,003**	27,376
Prepaid expenses	**(231)**	22,335
Accounts payable and accrued charges	**6,120**	(13,317)
	217,303	204,579
INVESTING ACTIVITY		
Purchase of property and equipment	**(21,581)**	(31,765)
FINANCING ACTIVITY		
Repayment of term loan	**(228,000)**	(214,000)
DECREASE IN CASH	**(32,278)**	(41,186)
CASH, BEGINNING OF YEAR	**117,101**	158,287
CASH, END OF YEAR	$ **84,823**	$ 117,101

During the year, interest in the amount of $298,398 (2011 - $312,126) was paid.

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Nature of business
The Company is subject to the provisions of the Ontario Business Corporations Act and provides hydro transformation services to Grimsby Power Inc. and Niagara Peninsula Energy Inc.

Property and equipment
Property and equipment are stated at cost. Depreciation is recorded on a straight-line basis over the estimated life of the assets as stated in Note 2. Depreciation is recorded at one half of the normal rates in the year of acquisition.

Revenue recognition
Revenue from the transformation of electricity is recorded on the basis of peak demand for the month and is recognized when the peak demand has occurred. Other revenue is recognized as earned.

Rate regulation
The Company is regulated by the Ontario Energy Board ("OEB"), under the security granted by the Ontario Energy Board Act (1998). The OEB has the power and responsibility to approve or fix rates for the transformer connection fees that the Company charges. The OEB may also prescribe license requirements and conditions of service which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment.

The Company has a Transmission Licence from the OEB stating that the Company owns a transmission station connected to Hydro One Networks Inc. that provides power to the service areas of licensed distributors Niagara Peninsula Energy Inc. and Grimsby Power Inc. The Decision and Order are dated December 24, 2010 and expire December 23, 2030.

Financial instruments
The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued charges	Other liabilities
Interest rate swap agreement	Held-for-trading
Term loan	Other liabilities

Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of income or loss. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are measured at amortized costs using the effective interest method.

Use of estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as the determination of an impairment of long-lived assets, useful lives of building and equipment, fair value of the interest rate swap agreement and revenue recognition.

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. PROPERTY AND EQUIPMENT

	Annual Depreciation Rates	2012 Assets at Cost	2012 Accumulated Depreciation	2011 Assets at Cost	2011 Accumulated Depreciation
Land	-	$ 149,992	$ -	$ 149,992	$ -
Building	S.L. 50 yrs.	1,256,185	221,349	1,256,185	196,225
Machinery and equipment	S.L. 40 yrs.	6,273,798	1,430,147	6,252,217	1,273,572
		$ 7,679,975	1,651,496	$ 7,658,394	1,469,797
Net book value			$ 6,028,479		$ 6,188,597

3. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2012	2011
Trade accounts payable	$ 20,331	$ 12,734
Harmonized Sales Tax	23,206	24,683
Accrued charge	10,000	10,000
	$ 53,537	$ 47,417

4. TERM LOAN

The term loan is a variable rate loan issued as bankers acceptances and is due March 9, 2017. The loan is secured by a general security agreement, an assignment of fire and liability insurance and by a general security agreement and a limited guarantee from Niagara Power Inc. in the amount of $3,250,000. The Company has entered into a swap transaction for the full amount of the debt, the effect of which is to fix the interest rate of the loan at 5.6% until January 31, 2025.

The fair value of the interest rate swap agreement is based on discounted future cash flows of amounts estimated by the Company's bank of the cost or benefit of the swap contracts until the end of the term of the loan. At December 31, 2012, the interest rate swap agreement was in a net unfavourable position of $1,028,128 (2011 - $1,174,487). This unfavourable amount has been included as a current liability and the impact of the change in the fair value of the interest rate swap agreement, in the amount of $146,359, is included in net income.

	2012	2011
Term loan - as described above	$ 4,574,000	$ 4,802,000
Scheduled repayments of term loan	246,000	228,000
	$ 4,328,000	$ 4,574,000

The Company has agreed to certain covenants with respect to this loan, including a minimum debt service coverage ratio and a minimum tangible net worth. As at December 31, 2012, the Company was not in compliance with these particular covenants. Subsequent to year end, a conditional waiver of compliance was received from the Company's bank for the covenants for fiscal 2012 and confirming their intention to not demand or accelerate payment of the loan during 2013.

4. TERM LOAN (continued)

The scheduled principal repayments due over the next five years are as follows:

2013	$ 246,000
2014	265,000
2015	281,000
2016	303,000
2017	327,000
	$ 1,422,000

5. FUTURE PAYMENT IN LIEU OF TAXES

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Pursuant to the Electricity Act, 1998 (Ontario), the Company is required to compute taxes under the Income Tax Act and Ontario Corporations Tax Act and remit such amounts computed thereunder to the Ministry of Finance (Ontario).

The Company has Provincial non-capital losses in the amount of approximately $670,909 available for carry forward to reduce future years' payments in lieu of taxes which expire as follows:

December 31, 2015	$ 219,890
2026	157,321
2028	128,090
2030	118,425
2031	47,183
	$ 670,909

The benefit of these losses carried forward have not been reflected in these financial statements.

6. SUBSEQUENT EVENT

Subsequent to year end, the Company entered into an agreement with Niagara Peninsula Energy Inc. for the connection of a wind farm project. The Company received a deposit in the amount of approximately $1,000,000 to cover the estimated costs of this project including the study, design, build and commission of a technical solution with respect to this agreement. A purchase order was subsequently approved in the amount of $116,500 to an engineering firm for study and design services.

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. RELATED PARTIES

The Company was controlled, until December 31, 2012, under common ownership by Peninsula West Power Inc. and Niagara Power Inc. Peninsula West Power Inc. holds an investment in Niagara Peninsula Energy Inc. and Niagara Power Inc. is the parent company of Grimsby Power Inc. Subsequent to year end, the Company is 100% owned by Niagara Power Inc.

During the year, the Company recorded transformer connection charges of $315,088 (2011 - $325,908) and $452,853 (2011 - $415,076) from Niagara Peninsula Energy Inc. and Grimsby Power Inc. respectively.

At December 31, 2012, included in accounts receivable were amounts due from Niagara Peninsula Energy Inc. and Grimsby Power Inc. in the amounts of $53,941 (2011 - 59,862) and $37,435 (2011 - $36,367) respectively.

During the year, the Company incurred $11,159 (2011 - $9,727) in maintenance costs related to a service agreement with Niagara Peninsula Energy Inc. At December 31, 2012 trade accounts payable included $1,168 (2011 - $2,689) due to Niagara Peninsula Energy Inc.

During the year, the Company paid $14,596 (2011 - $787) to Grimsby Power Inc. for consulting and other services.

During the year, the Company paid $16,500 (2011 - $22,761) to a Director of the Company for technical consulting services.

All transactions are measured at the exchange amount, are under similar terms with non-related parties and are in the normal course of business.

8. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of its share capital and deficit. Management's objective is to optimize the return to the shareholders while supporting and fostering the future growth of the Company. During the 2012 fiscal year the Company's strategy, which was unchanged from the 2011 fiscal year, was to meet or exceed its TD Commercial Banking credit facility covenants. The Company is required to maintain a minimum debt service coverage ratio of not less than 1.1:1 and a tangible net worth of not less than $1,000,000. In addition, the guarantors are required to maintain a minimum level of 85% regulated earnings before interest, taxes, depreciation and amortization. At December 31, 2012 certain of these covenants were violated.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) *Fair values*

The fair values of cash, accounts receivable, and accounts payable and accrued charges are assumed to approximate their carrying amounts because of their short term to maturity. The carrying amount of the term loan approximates its fair value because the interest rate approximates the market rate.

b) *Derivative financial instrument*

The Company utilizes an interest rate swap contract to manage the risk associated with fluctuations in interest rates. The Company's policy is not to utilize financial instruments for trading or speculative purposes. The interest rate swap contract is used to reduce the impact of fluctuating interest rates on the Company's long-term debt. The swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt.

c) *Risk management*

In the normal course of business, the Company is exposed to financial risks that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost effective basis.

i) Liquidity risk

Liquidity is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors collection efforts to ensure sufficient cash flows are generated from operations to meet the current debt obligations. The Company expects that cash flow from operations in fiscal 2013 will be adequate to fund on-going investment in working capital and capital expenditures.

ii) Credit risk

The Company had a significant exposure of sales to two customers during the year. As at December 31, 2012, all of the Company's accounts receivable related to two customers. This amount is current and management monitors collections on a regular basis and is not aware of any collection issues related to these accounts.

iii) Other risks

The Company is not exposed to significant currency risk on its financial instruments.

Attachment 1.4.3 (c)

2013 GPI audited financial statements

GRIMSBY POWER INCORPORATED

FINANCIAL STATEMENTS

For the year ended December 31, 2013

Millards
Chartered Accountants

GRIMSBY POWER INCORPORATED

For the year ended December 31, 2013

INDEX

Millards
Chartered Accountants

P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Grimsby Power Incorporated

We have audited the accompanying financial statements of Grimsby Power Incorporated, which comprise the statement of financial position as at December 31, 2013, and the statements of retained earnings, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Grimsby Power Incorporated as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

April 3, 2014

CHARTERED ACCOUNTANTS
Licensed Public Accountants

GRIMSBY POWER INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012 (Restated Note 3)
ASSETS		
Current Assets		
Cash and bank	762,577	1,013,700
Accounts receivable (Note 6)	1,492,815	1,211,434
Due from related parties	17,310	19,853
Payment in lieu of corporate income taxes receivable	-	10,000
Future payments in lieu of taxes	198,187	-
Unbilled revenue	2,346,708	1,840,881
Inventory	524,346	229,905
Prepaid expenses	104,315	102,831
	5,446,258	4,428,604
Regulatory assets (Note 9)	-	149,514
Property, plant and equipment (Note 7)	16,346,672	15,485,508
Future payments in lieu of taxes	397,990	1,088,764
	22,190,920	21,152,390
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,511,279	2,167,751
Payment in lieu of corporate income taxes payable	66,926	-
Future payments in lieu of taxes	-	244,862
Current portion of deposits	86,190	88,728
Current portion of long term liabilities	1,305,966	1,302,561
	3,970,361	3,803,902
Long-term Liabilities		
Customers' and developers' deposits (Note 8)	1,107,563	788,990
Long-term liabilities (Note 10)	1,531,513	1,637,479
Promissory note (Note 11)	5,782,746	5,782,746
Regulatory liabilities (Note 9)	348,147	-
Deferred revenue - contributed capital	1,316,309	980,622
Future payments in lieu of taxes	87,567	248,811
	10,173,845	9,438,648
SHAREHOLDER'S EQUITY		
Capital Stock (Note 12)	5,782,747	5,782,747
Contributed Capital	70,721	70,721
Retained Earnings	2,193,246	2,056,372
	8,046,714	7,909,840
	22,190,920	21,152,390

See accompanying notes

GRIMSBY POWER INCORPORATED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2013	2012 *(Restated Note 3)*
Retained Earnings - Beginning of Year	2,056,372	1,284,662
Income	563,564	853,380
Dividends	(426,690)	(81,670)
Retained Earnings - End of Year	2,193,246	2,056,372

Approved on behalf of the Board of Directors:

....

GRIMSBY POWER INCORPORATED

STATEMENT OF INCOME

For the year ended December 31	2013	2012
Revenue		
Distribution	4,085,137	4,187,041
Power, connection and transmission	17,966,029	16,700,865
	22,051,166	20,887,906
Less: Cost of power supply	17,966,029	16,700,865
Gross Margin	4,085,137	4,187,041
Other Income		
Interest income	37,549	54,709
Miscellaneous	419,046	251,990
	456,595	306,699
	4,541,732	4,493,740
Expenses		
Amortization	585,912	446,339
General administration expense	1,119,954	1,279,082
Billing and collecting	512,576	517,457
Interest	397,143	378,097
Maintenance	519,679	570,520
Operations	522,827	396,997
Other	10,912	28,123
Property taxes	25,586	24,915
Marketing	-	246
	3,694,589	3,641,776
Income Before Payments in Lieu of Taxes and Regulatory Adjustments	847,143	851,964
Payments in lieu of taxes (Note 14)		
Current	197,098	-
Future	86,481	343,820
	283,579	343,820
Income Before Regulatory Adjustments	563,564	508,144
Regulatory adjustments - payment in lieu of taxes	-	263,520
- smart meters	-	81,716
Net regulatory adjustments	-	345,236
Net Income	563,564	853,380

See accompanying notes

GRIMSBY POWER INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31	2013	2012
Cash Flows From Operating Activities		
Net Income	563,564	853,380
Charges (credits) to income not involving cash:		
Amortization (including amounts charged to operating accounts)	701,801	691,820
Amortization of deferred revenue - capital contribution	(32,235)	(22,468)
(Gain)/Loss on disposal of property, plant and equipment	743	5,633
Future payments in lieu of taxes	86,481	343,820
Change in non-cash working capital	(660,136)	(836,606)
Increase in customer and developer deposits	316,035	112,689
Change in regulatory assets/liabilities	497,661	1,105,345
	1,473,914	2,253,613
Cash Flows From Financing Activities		
Deferred revenue - capital contributions	367,922	302,965
Long term debt	(102,561)	1,411,151
Dividends	(426,690)	(81,670)
	(161,329)	1,632,446
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,563,708)	(3,610,307)
Deposit on long term asset	-	94,500
Proceeds on disposal of property, plant and equipment	-	20,977
	(1,563,708)	(3,494,830)
Net Change in Cash and Cash Equivalents	(251,123)	391,229
Opening Cash and Cash Equivalents	1,013,700	622,471
Closing Cash and Cash Equivalents	762,577	1,013,700
Supplemental Disclosures		
Interest paid	86,402	54,737
Receipts in lieu of taxes	10,000	30,000

See accompanying notes

1. NATURE OF ACTIVITIES

Grimsby Power Incorporated ("the Company"), is incorporated under the laws of Ontario and its principal business activity is to distribute power to consumers within the town of Grimsby.

The Company is a regulated electricity distribution company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and businesses in the Town of Grimsby. The Company is regulated by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfill their obligations to connect service customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are summarized below:

(a) Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment.

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent differences between amounts collected through rates (OEB approved) and actual costs incurred by the distributor. Regulatory assets and liabilities on the balance sheet at year-end consist of settlement variances on the cost of power, deferred charges and the associated regulated interest. Account balances and current year activities are detailed in Note 9.

Smart Meter Initiative

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

The smart meter initiative was completed at the end of 2011 and meter costs were included in approved rates for 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements. These have been made using careful judgment.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate valuation allowance. Inventory is recorded net of provisions for obsolescence. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

(d) Unbilled Revenue

Unbilled revenue is accrued from the last meter reading date to the end of the period.

(e) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(f) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost. The cost and related accumulated amortization of the capital assets are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification permits their removal at retirement or disposition. Gains and losses at retirement or disposition are credited or charged to income. Contributions in aid of capital assets and intangibles are recorded as deferred credits and amortized to income over the life of the related assets. Amortization is provided for in the accounts as follows:

Buildings	25-50	years straight line
Distribution plant	15-60	years straight line
General equipment	5-15	years straight line
Computer software	5	years straight line

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Payments in Lieu of Corporate Income Taxes (PILs)

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(h) Customer and Developer Deposits

Customer and developer deposits are recorded when received or paid. Deposits earn interest at a rate of prime less 2%.

(i) Deferred Revenue - Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(j) Revenue Recognition

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

(k) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The company has classified its financial instruments are follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Promissory note	Other liabilities
Customers' and developers' deposits	Other liabilities

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. CHANGE IN ACCOUNTING POLICY

During the year, the Company updated its policy for the recording of future payments-in-lieu of taxes. Future payments-in-lieu of taxes are now recorded using both current and long term portions for the tax impact of regulatory items. The change in policy affected opening retained earnings for the year ended December 31, 2012. The policy change did not effect operations for the year ended December 31, 2012.

	2013	**2012**
Opening retained earnings, as previously stated	1,284,662	336,759
Adjustment to opening future payments-in-lieu of taxes	-	947,903
Retained earnings, as restated	1,284,662	1,284,662

4. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS"). The Accounting Standards Board has deferred the adoption of IFRS for rate-regulated entities until December 31, 2015.

The Company has elected to defer its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2013.

The Company continues to assess the impact of conversion to IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact the Company's reporting under IFRS.

5. RATE REGULATION

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

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 9.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective January 1, 2012, were calculated on a 2010 rate base and includes a rate of return on equity.

6. ACCOUNTS RECEIVABLE

	2013	2012
Service revenue	1,301,414	1,148,114
Other	197,901	69,820
	1,499,315	1,217,934
Allowance for doubtful accounts	(6,500)	(6,500)
	1,492,815	1,211,434

7. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2013	2012
Land	111,556	-	111,556	111,556
Buildings	550,496	-	550,496	501,047
Distribution plant	16,141,585	1,577,368	14,564,217	14,012,640
General equipment	737,710	-	737,710	557,047
Computer software	645,776	263,083	382,693	303,218
	18,187,123	1,840,451	16,346,672	15,485,508

8. CUSTOMER AND DEVELOPER DEPOSITS

CUSTOMER AND DEVELOPER DEPOSITS	2013	2012
Customer deposits	195,580	194,010
Developer deposits and payables	998,173	683,708
	1,193,753	877,718
Less: Current portion	86,190	88,728
	1,107,563	788,990

9. REGULATORY ASSETS/LIABILITIES

	2013	2012
Retail settlement variance accounts	(491,058)	176,782
Smart meters and stranded meters	808	891
Regulatory PILs	142,103	(28,159)
	(348,147)	149,514

Net regulatory assets (liabilities) represent amounts recovered from customers in excess of costs incurred by OEB approved rates less recoveries. These amounts have been accumulated pursuant to the Electricity Act and deferred in anticipation of their future settlement in electricity distribution rates. Management assesses the future uncertainty with respect to the recovery of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision concerning adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Regulatory assets (liabilities) incur interest at prescribed rates. In 2013 rates were 1.47% (2012 - 1.47%).

Settlement variances represent amounts that have accumulated since Market Opening and comprise:

(a) Variances between amounts charged by the Independent Electricity System Operator (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charged and transmission charges, and the amounts billed to customers by the Company based on the OEB approved wholesale market service rate; and,

(b) Variances between the amounts charged by IESO for energy commodity costs and the amounts billed to customers by the Company based on OEB approved rates.

Smart meters - Smart meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals. Bill 21, Energy Conservation and Responsibility Act, proved the legislative framework and regulations to support this initiative.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between OEB and interested stakeholders, may affect the distribution rates that the Company may charge and the costs that the Company may recover, including the balance of its regulatory assets.

10. LONG TERM LIABILITIES

	2013	2012
TD term loan with blended monthly instalments of $11,097, at a fixed rate of 3.33%, due April 2017	1,347,901	1,434,614
TD term loan with blended monthly instalments of $2,193 at a fixed rate 3.50%, due December 2016	289,578	305,426
TD term loan, interest only at a fixed rate of 2.5%, due December 2013	1,200,000	1,200,000
	2,837,479	2,940,040
Less: Current portion	1,305,966	1,302,561
	1,531,513	1,637,479

As security for the TD term loans, the Company has provided a general security agreement, assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Company and the Town of Grimsby.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2014	-	1,305,966
2015	-	109,578
2016	-	352,059
2017	-	99,282
2018 and thereafter	-	970,594

11. PROMISSORY NOTE

The promissory note matures on February 1, 2020 and is payable to the Town of Grimsby. The note bears interest at the rate of 5.01% per annum.

12. CAPITAL STOCK

	2013	2012
Authorized		
an unlimited number of common shares		
Issued		
1,001 common shares	5,782,747	5,782,747

13. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with the parent company, shareholder of the parent company and a subsidiary of the parent company:

	2013	2012
Revenue		
Service revenue	548,259	486,068
Other	18,597	27,061
Expenses		
Interest charges	289,716	289,716
Other expenses	49,621	47,970
Connection fees	429,008	452,853
IT services	82,091	107,064
Fibre optic internet services	8,340	8,340
Fieldworker consulting expense	-	70,197

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount.

Accounts receivable include $38,164 (2012 - $19,848) due from related parties and accounts payable include $17,310 (2012 - $37,435) due to related parties. These balances are non-interest bearing with no fixed terms of repayment.

In 2009, the Company migrated its billing system to a SAP platform. The Company has a contractual commitment to pay $5,569 per month for system administration and non-system related support to a related party. Effective December 1, 2013 the fee was increased to $6,396 per month.

14. PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of the combined statutory income tax rate of 26.5% is as follows:

	2013	2012
Basic taxes applied to income before PILs	224,493	317,258
Increase (Decrease) in PILs resulting from:		
Tax basis of depreciable property plant and equipment in excess of accounting basis	(181,220)	-
Change in future tax rate	86,481	-
Change in regulatory assets	131,880	26,562
Prior year adjustments	59,068	-
Other	(37,123)	-
	283,579	343,820

15. PENSION AGREEMENTS

The company makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its full-time staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by an employee based on the length of services and rate of pay.

16. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Liquidity risk
The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements.

Credit Risk
The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB.

Fair Value
The carrying values of cash, accounts receivable, due to/from related parties, bank loan, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Customer and developer deposits have a fair value that approximated carrying value. Interest is paid on deposits on a monthly basis at prime less 2%; as directed by the OEB.

The promissory note payable to the Town of Grimsby is valued at its face value. It is not practicable within constraints of timeliness or cost to reliably measure its fair value.

17. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the company and its predecessor company was a member.

To December 31, 2013, the Company has not been made aware of any additional assessments. Participation in MEARIE covers a one year underwriting period which expires January 1, 2013. Notice to withdraw from MEARIE must be given six months prior to the commencement of the next underwriting term.

18. COMMITMENTS AND CONTINGENCIES

A letter of credit in the amount of $964,845 (2012 - $964,845) has been issued in favour of the Independent Electricity System Operator ("IESO") as security for the Company's purchase of electricity through the IESO. No amounts were drawn down on the letter of guarantee at year end.

19. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

Attachment 1.4.3 (d)

2012 GPI audited financial statements

GRIMSBY POWER INCORPORATED

FINANCIAL STATEMENTS

For the year ended December 31, 2012

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

GRIMSBY POWER INCORPORATED

For the year ended December 31, 2012

INDEX

Millard, Rouse & Rosebrugh LLP
Chartered Accountants
P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Grimsby Power Incorporated

We have audited the accompanying financial statements of Grimsby Power Incorporated, which comprise the statement of financial position as at December 31, 2012, and the statements of retained earnings, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Grimsby Power Incorporated as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

March 27, 2013

CHARTERED ACCOUNTANTS
Licensed Public Accountants

GRIMSBY POWER INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at December 31	2012	2011 *(restated Note 3)*
ASSETS		
Current Assets		
Cash and bank	1,013,700	622,471
Accounts receivable (Note 6)	1,211,434	1,003,680
Due from related parties	19,853	11,729
Payment in lieu of corporate income taxes receivable	10,000	30,000
Unbilled revenue	1,840,881	1,499,005
Inventory	229,905	232,815
Prepaid expenses	102,831	275,039
	4,428,604	3,674,739
Regulatory assets (Note 9)	149,514	1,254,859
Property, plant and equipment (Note 7)	15,485,508	12,593,631
Deposit on long-term asset	-	94,500
	20,063,626	17,617,729
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,167,751	2,641,722
Future payments in lieu of taxes	352,812	8,992
Current portion of deposits	88,728	130,201
Current portion of long term liabilities	1,302,561	106,667
	3,911,852	2,887,582
Long-term Liabilities		
Customers' and developers' deposits (Note 8)	788,990	634,828
Long-term liabilities (Note 10)	1,637,479	1,422,222
Promissory note (Note 11)	5,782,746	5,782,746
Deferred revenue - contributed capital	980,622	700,124
	9,189,837	8,539,920
SHAREHOLDER'S EQUITY		
Capital Stock (Note 12)	5,782,747	5,782,747
Contributed Capital	70,721	70,721
Retained Earnings	1,108,469	336,759
	6,961,937	6,190,227
	20,063,626	17,617,729

Approved on behalf of the Board of Directors:

....

GRIMSBY POWER INCORPORATED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2012	2011
Retained Earnings - Beginning of Year	336,759	309,149
Income	853,380	163,340
Dividends	(81,670)	(135,730)
Retained Earnings - End of Year	1,108,469	336,759

GRIMSBY POWER INCORPORATED

STATEMENT OF INCOME

For the year ended December 31		2012	2011
Sales		20,887,907	19,049,438
Cost of power supply		16,695,325	15,625,944
Gross Margin		4,192,582	3,423,494
Other Income			
Interest income		54,709	66,361
Miscellaneous		251,990	271,884
		306,699	338,245
		4,499,281	3,761,739
Expenses			
Amortization		446,339	952,669
General administration expense		1,279,082	901,926
Billing and collecting		522,998	485,289
Interest		378,097	502,962
Maintenance		570,520	379,842
Operations		396,997	306,908
Other		28,123	4,224
Property taxes		24,915	24,402
Marketing		246	9,053
		3,647,317	3,567,275
Income Before Payments in Lieu of Taxes and Regulatory Adjustments		851,964	194,464
Payments in lieu of taxes (Note 14)			
Current		-	(18,310)
Future		343,820	49,434
		343,820	31,124
Income Before Regulatory Adjustments		508,144	163,340
Regulatory adjustments	- payment in lieu of taxes	263,520	-
	- smart meters	81,716	-
Net regulatory adjustments		345,236	-
Net Income		853,380	163,340

See accompanying notes

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

GRIMSBY POWER INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31	2012	2011 *(restated Note 3)*
Cash Flows From Operating Activities		
Net Income	853,380	163,340
Charges (credits) to income not involving cash:		
Amortization (including amounts charged to operating accounts)	691,820	449,021
Amortization of deferred revenue - capital contribution	(22,468)	(9,205)
(Gain)/Loss on disposal of property, plant and equipment	5,633	(331)
Loss on disposal of stranded meters	-	7,889
Future payments in lieu of taxes	343,820	49,434
Change in non-cash working capital	(836,606)	17,313
Increase in customer and developer deposits	112,689	(16,754)
Change in regulatory assets/liabilities	1,105,345	(400,732)
	2,253,613	259,975
Cash Flows From Financing Activities		
Deferred revenue - capital contributions	302,965	709,329
Long term debt	1,411,151	(71,111)
Dividends	(81,670)	(135,730)
	1,632,446	502,488
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,610,307)	(1,744,145)
Deposit on long term asset	94,500	-
Proceeds on disposal of property, plant and equipment	20,977	1,230
	(3,494,830)	(1,742,915)
Net Change in Cash and Cash Equivalents	391,229	(980,452)
Opening Cash and Cash Equivalents	622,471	1,602,923
Closing Cash and Cash Equivalents	1,013,700	622,471
Supplemental Disclosures		
Interest paid	54,737	53,572
Receipts in lieu of taxes	30,000	80,713

1. NATURE OF ACTIVITIES

Grimsby Power Incorporated ("the Company"), is incorporated under the laws of Ontario and its principal business activity is to distribute power to consumers within the town of Grimsby.

The Company is a regulated electricity distribution Company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and businesses in the Town of Grimsby. The Company is regulated by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfill their obligations to connect service customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are summarized below:

(a) Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment.

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent differences between amounts collected through rates (OEB approved) and actual costs incurred by the distributor. Regulatory assets and liabilities on the balance sheet at year-end consist of settlement variances on the cost of power, deferred charges and the associated regulated interest. Account balances and current year activities are detailed in Note 9.

Smart Meter Initiative

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

The smart meter initiative was completed at the end of 2011 and meter costs were included in approved rates for 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements. These have been made using careful judgment.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate valuation allowance. Inventory is recorded net of provisions for obsolescence. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

(d) Unbilled Revenue

Unbilled revenue is accrued from the last meter reading date to the end of the period.

(e) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(f) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost. The cost and related accumulated amortization of the capital assets are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification permits their removal at retirement or disposition. Gains and losses at retirement or disposition are credited or charged to income. Contributions in aid of capital assets and intangibles are recorded as deferred credits and amortized to income over the life of the related assets. Amortization is provided for in the accounts as follows:

Buildings	25-50	years straight line
Distribution plant	15-60	years straight line
General equipment	5-15	years straight line
Computer software	5	years straight line

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Payments in Lieu of Corporate Income Taxes (PILs)

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(h) Customer and Developer Deposits

Customer and developer deposits are recorded when received or paid. Deposits earn interest at a rate of prime less 2%.

(i) Deferred Revenue - Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(j) Revenue Recognition

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

(k) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The company has classified its financial instruments are follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Promissory note	Other liabilities
Customers' and developers' deposits	Other liabilities

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. ADOPTION OF OEB POLICIES

During the year, the Company adopted certain of the OEB policies related the OEB's plan to move all electricity distribution companies to a Modified International Financial Reporting Standard. The Company changed its accounting policy regarding the costing of plant assets and the life of certain assets. The new standard required that the accumulated amortization up to January 1, 2011 be netted against the newly adjusted cost. Therefore, the total accumulated amortization for 2012 represents the amortization for only 2011 and 2012. The Company also changed how contributed capital is recorded. Contributed capital is now recorded as deferred revenue and amortized to income on similar basis as the corresponding asset. OEB policy requires that the impact of the changes in accounting policies also be recorded as a regulatory liability and therefore the changes did not affect income or retained earnings for the Company in the prior year.

4. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by January 1, 2011. The Public Sector Accounting Board released a decision summary confirming that government organizations following commercial practices adhere to standards for publicly accountable entities after January 1, 2011. The AcSB granted a deferral of the adoption of IFRS for rate-regulated entities and such IFRS may be adopted for financial statements ending December 31, 2015.

The Company has elected to defer its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2012.

The Company continues to assess the impact of conversion of IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact the Company's reporting under IFRS.

5. RATE REGULATION

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

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 9.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective January 1, 2012, were calculated on a 2010 rate base and includes a rate of return on equity.

6. ACCOUNTS RECEIVABLE

	2012	2011
Service revenue	1,148,114	888,632
Other	69,820	121,548
	1,217,934	1,010,180
Allowance for doubtful accounts	(6,500)	(6,500)
	1,211,434	1,003,680

7. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2012	2011 *(restated Note 3)*
Land	111,556	-	111,556	111,556
Buildings	541,613	40,566	501,047	495,838
Distribution plant	14,856,146	843,506	14,012,640	11,700,462
General equipment	657,668	100,621	557,047	141,708
Computer software	458,376	155,158	303,218	144,067
	16,625,359	1,139,851	15,485,508	12,593,631

8. CUSTOMER AND DEVELOPER DEPOSITS

CUSTOMER AND DEVELOPER DEPOSITS	2012	2011
Customer deposits	194,010	237,242
Developer deposits and payables	683,708	527,787
	877,718	765,029
Less: Current portion	88,728	130,201
	788,990	634,828

9. REGULATORY ASSETS/LIABILITIES

	2012	2011
Retail settlement variance accounts	176,782	(529,943)
Smart meters and stranded meters	891	1,784,937
Regulatory asset recovery amount	-	(361)
Regulatory PILs	(28,159)	226
	149,514	1,254,859

Net regulatory assets (liabilities) represent amounts recovered from customers in excess of costs incurred by OEB approved rates less recoveries. These amounts have been accumulated pursuant to the Electricity Act and deferred in anticipation of their future settlement in electricity distribution rates. Management assesses the future uncertainty with respect to the recovery of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision concerning adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Regulatory assets (liabilities) incur interest at prescribed rates. In 2012 rates were 1.47% (2011 - 1.47%).

Settlement variances represent amounts that have accumulated since Market Opening and comprise:

(a) Variances between amounts charged by the Independent Electricity System Operator (IESO) for the operation of the wholesale electricity market and grid, various wholesale market settlement charged and transmission charges, and the amounts billed to customers by the Company based on the OEB approved wholesale market service rate; and,

(b) Variances between the amounts charged by IESO for energy commodity costs and the amounts billed to customers by the Company based on OEB approved rates.

Smart meters - Smart meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals. Bill 21, Energy Conservation and Responsibility Act, proved the legislative framework and regulations to support this initiative.

Regulatory assets recovery amount - represents costs incurred by the Company as of December 31, 2004 which have been approved for recovery through rates net of amounts recovered from customers.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between OEB and interested stakeholders, may affect the distribution rates that the Company may charge and the costs that the Company may recover, including the balance of its regulatory assets.

10. LONG TERM LIABILITIES

	2012	2011
TD term loan with monthly principal instalments of $8,889 plus interest at a rate of TD prime plus 0.50%, due May 2026	-	1,528,889
TD term loan with blended monthly instalments of $11,097, at a fixed rate of 3.33%, due April 2017	1,434,614	-
TD term loan with blended monthly instalments of $2,193 at a fixed rate 3.50%, due December 2016	305,426	-
TD term loan, interest only at a fixed rate of 2.5%, due December 2013	1,200,000	-
	2,940,040	1,528,889
Less: Current portion	1,302,561	106,667
	1,637,479	1,422,222

As security for the TD term loans, the Company has provided a general security agreement, assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Company and the Town of Grimsby.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2013	-	1,302,561
2014	-	105,966
2015	-	109,578
2016	-	113,180
2017 and thereafter	-	1,308,755

11. PROMISSORY NOTE

The promissory note matures on February 1, 2020 and is payable to the Town of Grimsby. The note bears interest at the rate of 5.01% (2011 - 7.25%) per annum.

12. CAPITAL STOCK

	2012	2011
Authorized		
an unlimited number of common shares		
Issued		
1,001 common shares	5,782,747	5,782,747

13. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with the parent company, shareholder of the parent company and a subsidiary of the parent company:

	2012	2011
Revenue		
Service revenue	486,068	408,855
Other	27,061	70,170
Expenses		
Interest charges	289,716	419,249
Other expenses	47,970	62,193
Connection fees	452,853	415,076
IT services	107,064	42,000
Fibre optic internet services	8,340	-
Fieldworker consulting expense	70,197	-
Capital paid for smart meters	-	101,389

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount.

Accounts receivable include $19,848 (2011 - $11,848) due from related parties and accounts payable include 37,435 (2011 - $455,617) due to related parties. These balances are non-interest bearing with no fixed terms of repayment.

In 2009, the Company migrated its billing system to a SAP platform. The Company has a contractual commitment to pay $5,569 per month for system administration and non-system related support to a related party.

14. PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

The impact of differences between the Company's reported payments in lieu of corporate income taxes and the expense that would otherwise result from the application of the combined statutory income tax rate of 26.5% (2011 - 28.65%) is as follows:

	2012	2011
Basic taxes applied to income before PILs	317,258	51,144
Increase (decrease) in PILs resulting from:		
Change in regulatory assets	26,562	(1,710)
Prior year adjustments	-	(18,310)
Other	-	-
	343,820	31,124

15. PENSION AGREEMENTS

The company makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its full-time staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by an employee based on the length of services and rate of pay.

16. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Liquidity risk
The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements.

Credit Risk
The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB.

Fair Value
The carrying values of cash, accounts receivable, due to/from related parties, bank loan, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Customer and developer deposits have a fair value that approximated carrying value. Interest is paid on deposits on a monthly basis at prime less 2%; as directed by the OEB.

The promissory note payable to the Town of Grimsby is valued at its face value. It is not practicable within constraints of timeliness or cost to reliably measure its fair value.

17. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the company and its predecessor company was a member.

To December 31, 2012, the Company has not been made aware of any additional assessments. Participation in MEARIE covers a one year underwriting period which expires January 1, 2013. Notice to withdraw from MEARIE must be given six months prior to the commencement of the next underwriting term.

18. COMMITMENTS AND CONTINGENCIES

A letter of credit in the amount of $964,845 (2011 - $964,845) has been issued in favour of the Independent Electricity System Operator ("IESO") as security for the Company's purchase of electricity through the IESO. No amounts were drawn down on the letter of guarantee at year end.

19. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

Attachment 1.4.4

Proforma financial statements for the amalgamated GPI

Grimsby Power Inc. (GPI / NWTC) - Pro Forma
2015 STATEMENT OF INCOME AND RETAINED EARNINGS

Account Description	Total
3000-Sales of Electricity	
4006-Residential Energy Sales	(7,298,384)
4010-Commercial Energy Sales	0
4015-Industrial Energy Sales	(6,605,437)
4020-Energy Sales to Large Users	0
4025-Street Lighting Energy Sales	(119)
4030-Sentinel Energy Sales	0
4035-General Energy Sales	(29,624)
4040-Other Energy Sales to Public Authorities	0
4045-Energy Sales to Railroads and Railways	0
4050-Revenue Adjustment	0
4055-Energy Sales for Resale	(718,865)
4060-Interdepartmental Energy Sales	(20,338)
4062-WMS	(964,881)
4076-Smart Meter Entity Charges	(64,392)
4066-NW	(1,221,255)
4068-CN	(914,201)
4075-LV Charges	(122,485)
3000-Sales of Electricity Total	**(17,959,980)**
3050-Revenues From Services - Distirbution	
4080-Distribution Services Revenue	(4,085,137)
4082-RS Rev	(5,897)
4084-Serv Tx Requests	(151)
4090-Electric Services Incidental to Energy Sales SMART METER REVENUE	0
3050-Revenues From Services - Distirbution Total	**(4,091,185)**
3100-Other Operating Revenues	
4105-Transmission Charges Revenue	(744,147)

4110-Transmission Services Revenue	(1,448)
4210-Rent from Electric Property	(84,552)
4215-Other Utility Operating Income	0
4220-Other Electric Revenues	(107,525)
4225-Late Payment Charges	(52,278)
4230-Sales of Water and Water Power	0
4235-Miscellaneous Service Revenues	(50,325)
4240-Provision for Rate Refunds	0
4245-Government Assistance Directly Credited to Income	(32,235)
3100-Other Operating Revenues Total	**(1,072,510)**
3150-Other Income & Deductions	
4305-Regulatory Debits	0
4310-Regulatory Credits	0
4315-Revenues from Electric Plant Leased to Others	0
4320-Expenses of Electric Plant Leased to Others	0
4325-Revenues from Merchandise, Jobbing, Etc.	(68,811)
4330-Costs and Expenses of Merchandising, Jobbing, Etc	0
4335-Profits and Losses from Financial Instrument Hedges	(326,986)
4340-Profits and Losses from Financial Instrument Investments	0
4345-Gains from Disposition of Future Use Utility Plant	0
4350-Losses from Disposition of Future Use Utility Plant	0
4355-Gain on Disposition of Utility and Other Property	0
4360-Loss on Disposition of Utility and Other Property	743
4365-Gains from Disposition of Allowances for Emission	0
4370-Losses from Disposition of Allowances for Emission	0
4375-Revenues from Non-Utility Operations	(413,743)
4380-Expenses of Non-Utility Operations	406,050
4385-Expenses of Non-Utility Operations	0
4390-Miscellaneous Non-Operating Income	(5,131)
4395-Rate-Payer Benefit Including Interest	0
4398-Foreign Exchange Gains and Losses, Including Amortization	(1,787)
3150-Other Income & Deductions Total	**(409,664)**

3200-Investment Income	
4405-Interest and Dividend Income	(47,002)
4415-Equity in Earnings of Subsidiary Companies	0
3200-Investment Income Total	**(47,002)**
3350-Power Supply Expenses	
4705-Power Purchased	10,861,045
4707-Charges - Global Adjustment	3,811,721
4708-WMS	964,881
4710-Cost of Power Adjustments	0
4712-Charges - one time	0
4714-NW	1,221,255
4715-System Control and Load Dispatching	0
4716-CN	914,201
4720-Other Expenses	0
4751-Smart Meter Entity Charges	64,392
4730-Rural Rate Assistance Expense	0
4750-LV Charges	122,485
3350-Power Supply Expenses Total	**17,959,981**
3500-Distribution Expenses - Operation	
5005-Operation Supervision and Engineering	151,538
5010-Load Dispatching	70,128
5012-Station Buildings and Fixtures Expense	22,660
5014-Transformer Station Equipment - Operation Labour	0
5015-Transformer Station Equipment - Operation Supplies and Expenses	58,504
5016-Distribution Station Equipment - Operation Labour	1,273
5017-Distribution Station Equipment - Operation Supplies and Expenses	4,719
5020-Overhead Distribution Lines and Feeders - Operation Labour	35,318
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	12,664
5030-Overhead Subtransmission Feeders - Operation	0
5035-Overhead Distribution Transformers - Operation	3,179
5040-Underground Distribution Lines and Feeders - Operation Labour	46,290
5045-Underground Distribution Lines and Feeders - Operation Supplies and Expenses	101

5050-Underground Subtransmission Feeders - Operation	0
5055-Underground Distribution Transformers - Operation	193
5060-Street Lighting and Signal System Expense	0
5065-Meter Expense	135,691
5070-Customer Premises - Operation Labour	12,177
5075-Customer Premises - Materials and Expenses	27,433
5085-Miscellaneous Distribution Expense	83,243
5090-Underground Distribution Lines and Feeders - Rental Paid	0
5095-Overhead Distribution Lines and Feeders - Rental Paid	34,358
5096-Other Rent	0
3500-Distribution Expenses - Operation Total	**699,468**
3550-Distribution Expenses - Maintenance	
5105-Maintenance Supervision and Engineering	212,657
5110-Maintenance of Structures	0
5112-Maintenance of Transformer Station Equipment	32,658
5114-Mtaint Dist Stn Equip	1,736
5120-Maintenance of Poles, Towers and Fixtures	26,846
5125-Maintenance of Overhead Conductors and Devices	64,012
5130-Maintenance of Overhead Services	45,142
5135-Overhead Distribution Lines and Feeders - Right of Way	48,095
5145-Maintenance of Underground Conduit	0
5150-Maintenance of Underground Conductors and Devices	20,224
5155-Maintenance of Underground Services	25,694
5160-Maintenance of Line Transformers	43,156
5165-Maintenance of Street Lighting and Signal Systems	0
5170-Sentinel Lights - Labour	0
5172-Sentinel Lights - Materials and Expenses	0
5175-Maintenance of Meters	32,118
5178-Customer Installations Expenses - Leased Property	0
5195-Maintenance of Other Installations on Customer Premises	0
3550-Distribution Expenses - Maintenance Total	**552,337**
3650-Billing and Collecting	

5305-Supervision	37,952
5310-Meter Reading Expense	43,529
5315-Customer Billing	392,521
5320-Collecting	24,108
5325-Collecting - Cash Over and Short	0
5330-Collection Charges	1,576
5335-Bad Debt Expense	18,939
5340-Miscellaneous Customer Accounts Expenses	0
3650-Billing and Collecting Total	**518,624**
3700-Community Relations	
5405-Supervision	0
5410-Community Relations - Sundry	0
5415-Energy Conservation	0
5420-Community Safety Program	0
5425-Miscellaneous Customer Service and Informational Expenses	0
3700-Community Relations Total	**0**
3800-Administrative and General Expenses	
5605-Executive Salaries and Expenses	174,745
5610-Management Salaries and Expenses	281,238
5615-General Administrative Salaries and Expenses	293,235
5620-Office Supplies and Expenses	42,199
5625-Administrative Expense Transferred-Credit	0
5630-Outside Services Employed	42,534
5635-Property Insurance	27,970
5640-Injuries and Damages	0
5645-Employee Pensions and Benefits	8,122
5650-Franchise Requirements	0
5655-Regulatory Expenses	24,686
5660-General Advertising Expenses	8,792
5665-Miscellaneous Expenses	84,504
5670-Rent	0
5675-Maintenance of General Plant	131,929

5680-Electrical Safety Authority Fees	0
5685-Independent Market Operator Fees and Penalties	0
5695-OM&A Contra Account	0
3800-Administrative and General Expenses Total	**1,119,954**
3850-Amortization Expense	
5705-Amortization Expense - Property, Plant and Equipment	659,955
5710-Amortization of Limited Term Electric Plant	0
5715-Amortization of Intangibles and Other Electric Plant	107,926
5720-Amortization of Electric Plant Acquisition Adjustments	0
5725-Miscellaneous Amortization	0
5730-Amortization of Unrecovered Plant and Regulatory Study Costs	0
5735-Amortization of Deferred Development Costs	0
5740-Amortization of Deferred Charges	0
3850-Amortization Expense Total	**767,881**
3900-Interest Expense	
6005-Interest on Long Term Debt	349,294
6010-Amortization of Debt Discount and Expense	0
6015-Amortization of Premium on Debt-Credit	0
6020-Amortization of Loss on Reacquired Debt	0
6025-Amortization of Gain on Reacquired Debt-Credit	0
6030-Interest on Debt to Associated Companies	289,716
6035-Other Interest Expense	21,025
6040-Allowance for Borrowed Funds Used During Construction-Credit	0
6042-Allowance for Other Funds Used During Construction	0
6045-Interest Expense on Capital Lease Obligations	0
3900-Interest Expense Total	**660,034**
3950-Taxes Other Than Income Taxes	
6105-Taxes Other Than Income Taxes	25,586
3950-Taxes Other Than Income Taxes Total	**25,586**
4000-Income Taxes	

6110-Income Taxes	197,098
6115-Provision for Future Income Taxes	86,481
4000-Income Taxes Total	**283,579**
4100-Extraordinary & Other Items	
6205-Donations - LEAP	10,912
6210-Life Insurance	0
6215-Penalties	0
6225-Other Deductions to balance	0
4100-Extraordinary & Other Items Total	**10,912**
Net Income - (Gain)/Loss	**(981,984)**

Grimsby Power Inc. (GPI / NWTC) - Pro Forma
2015 BALANCE SHEET

Account Description	Total
1050-Current Assets	
1005-Cash	1,958,696
1010-Cash Advances and Working Funds	300
1020-Interest Special Deposits	0
1030-Dividend Special Deposits	0
1040-Other Special Deposits	0
1060-Term Deposits	0
1070-Current Investments	0
1100-Customer Accounts Receivable	1,134,058
1102-Accounts Receivable - Services	(57,676)
1104-Accounts Receivable - Recoverable Work	26,932
1105-Accounts Receivable - Merchandise, Jobbing, etc.	131,545
1110-Other Accounts Receivable	365,606
1120-Accrued Utility Revenues	2,346,708
1130-Accumulated Provision for Uncollectable Accounts -- Credit	(6,500)
1140-Interest and Dividends Receivable	0
1150-Rents Receivable	0
1170-Notes Receivable	0
1180-Prepayments	140,264
1190-Miscellaneous Current and Accrued Assets	17,200
1200-Accounts Receivable from Associated Companies	17,310
1210-Notes Receivable from Associated Companies	0
1050-Current Assets Total	**6,074,443**

1100-Inventory	
1305-Fuel Stock	0
1330-Plant Materials and Operating Supplies	524,346
1340-Merchandise	0
1350-Other Material and Supplies	0

1100-Inventory Total	**524,346**

1150-Non-Current Assets	
1405-Long Term Investments in Non-Associated Companies	0
1408-Long Term Receivable - Street Lighting Transfer	0
1410-Other Special or Collateral Funds	0
1415-Sinking Funds	0
1425-Unamortized Debt Expense	0
1445-Unamortized Discount on Long-Term Debt--Debit	0
1455-Unamortized Deferred Foreign Currency Translation Gains and Losses	0
1460-Other Non-Current Assets	0
1465-O.M.E.R.S. Past Service Costs	0
1470-Past Service Costs - Employee Future Benefits	0
1475-Past Service Costs -Other Pension Plans	0
1480-Portfolio Investments - Associated Companies	0
1485-Investment In Subsidiary Companies - Significant Influence	0
1490-Investment in Subsidiary Companies	0
1150-Non-Current Assets Total	**0**

1200-Other Assets and Deferred Charges	
1505-Unrecovered Plant and Regulatory Study Costs	0
1508-Other Regulatory Assets	53,665
1510-Preliminary Survey and Investigation Charges	0
1515-Emission Allowance Inventory	0
1516-Emission Allowance Withheld	0
1518-RCVA Retail	(19,998)
1525-Miscellaneous Deferred Debits	0
1530-Deferred Losses from Disposition of Utility Plant	0
1532-Renewable Connections	23,106
1534-Smart Grid Capital Deferral Account	0
1535-Smart Grid OM&A Deferral Account	0
1540-Deferred Losses from Disposition of Utility Plant	0
1545-Development Charge Deposits/ Receivables	0
1548-RCVA - Service Transaction Request (STR)	9,442

1550-LV Charges - Variance	25
1551-Smart Metering Entity Charge Variance Account	5,943
1555-Smart Meters Recovery	808
1556-Smart Meters OM & A	0
1562-Deferred PILs	(7,653)
1563-Deferred PILs - Contra	0
1565-C & DM Costs	0
1566-C & DM Costs Contra	0
1568-LRAM Variance Account	67,275
1570-Qualifying Transition Costs	0
1571-Pre Market CofP Variance	0
1572-Extraordinary Event Losses	0
1574-Deferred Rate Impact Amounts	0
1575-CGAAP - MIFRs Transitional PP&E Costs	(178,435)
1580-RSVA - Wholesale Market Services	(345,902)
1582-RSVA - One-Time	0
1584-RSVA - Network Charges	188,511
1586-RSVA - Connection Charges	22,380
1588-RSVA - Commodity (Power)	587,747
1589 RSVA - Commodity (GA)	(858,567)
1590-Recovery of Regulatory Assets (25% of 2002 bal.)	0
1592-PILs and Tax Variance for 2006 & Subsequent Years	0
1595-Disposition and Recovery of Regulatory Balances	142,103
1200-Other Assets and Deferred Charges Total	**(309,549)**

1450-Distribution Plant	
1705-Land - Transmission Plant	0
1805-Land - Distribution Plant	149,992
1806-Land Rights	0
1808-Buildings and Fixtures	1,256,185
1810-Leasehold Improvements	0
1815-Transformer Station Equipment - Normally Primary above 50 kV	6,273,798
1820-Distribution Station Equipment - Normally Primary below 50 kV	0
1825-Storage Battery Equipment	0

1830-Poles, Towers and Fixtures	3,901,331
1835-Overhead Conductors and Devices	2,427,942
1840-Underground Conduit	2,019,228
1845-Underground Conductors and Devices	1,388,096
1850-Line Transformers	3,508,499
1855-Services	1,006,041
1860-Meters	1,890,449
1865-Other Installations on Customer's Premises	0
1450-Distribution Plant Total	**23,821,560**

1500-General Plant	
1905-Land	111,556
1906-Land Rights	0
1908-Buildings and Fixtures	550,496
1910-Leasehold Improvements	0
1915-Office Furniture and Equipment	74,543
1920-Computer Equipment - Hardware	127,077
1925 / 1611-Computer Software	645,776
1930-Transportation Equipment	364,779
1935-Stores Equipment	0
1940-Tools, Shop and Garage Equipment	87,820
1945-Measurement and Testing Equipment	17,302
1950-Power Operated Equipment	0
1955-Communication Equipment	66,189
1960-Miscellaneous Equipment	0
1970-Load Management Controls - Customer Premises	0
1975-Load Management Controls - Utility Premises	0
1980-System Supervisory Equipment	0
1985-Sentinel Lighting Rentals	0
1990-Other Tangible Property	0
1995-Contributions and Grants	0
1500-General Plant Total	**2,045,538**

1550-Other Capital Assets

2005-Property Under Capital Leases	0
2010-Electric Plant Purchased or Sold	0
2020-Experimental Electric Plant Unclassified	0
2030-Electric Plant and Equipment Leased to Others	0
2040-Electric Plant Held for Future Use	0
2050-Completed Construction Not Classified--Electric	0
2055-Construction Work in Progress--Electric	0
2060-Electric Plant Acquisition Adjustment	0
2065-Other Electric Plant Adjustment	0
2070-Other Utility Plant	0
2075-Non-Utility Property Owned or Under Capital Lease	0
1550-Other Capital Assets Total	**0**

1600-Accumulated Amortization	
2105-Accumulated Amortization of Electric Utility Plant - Property, Plant and Equipment	(3,410,833)
2120-Accumulated Amortization of Electric Utility Plant - Intangibles	(263,083)
2140-Accumulated Amortization of Electric Plant Acquisition Adjustment	0
2160-Accumulated Amortization of Other Utility Plant	0
2180-Accumulated Amortization of Non-Utility Property	0
1600-Accumulated Amortization Total	**(3,673,916)**

Total Assets	**28,482,421**

1650-Current Liabilities	
2205-Accounts Payable	96,585
2208-Customer Credit Balances	0
2210-Current Portion of Customer Deposits	86,190
2215-Dividends Declared	0
2220-Miscellaneous Current and Accrued Liabilities	2,908,621
2225-Notes and Loans Payable	0
2240-Accounts Payable to Associated Companies	150,000
2242-Notes Payable to Associated Companies	0
2250-Debt Retirement Charges (DRC) Payable	98,213
2252-Transmission Charges Payable	0

2254-Electric Safety Authority Fees Payable	0
2256-Independent Market Operator Fees and Penalties Payable	0
2260-Current Portion of Long Term Debt	1,571,966
2262-Ontario Hydro Debt - Current Portion	0
2264-Pensions and Employee Benefits - Current Portion	0
2268-Accrued Interest on Long Term Debt	144,858
2270-Matured Long Term Debt	0
2272-Matured Interest on Long Term Debt	0
2285-Obligations Under Capital Leases--Current	0
2290-Commodity Taxes	17,591
2292-Payroll Deductions / Expenses Payable	37,835
2294-Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	66,926
2296-Future Income Taxes - Current	0
1650-Current Liabilities Total	**5,178,785**

1700-Non-Current Liabilities	
2305-Accumulated Provision for Injuries and Damages	0
2306-Employee Future Benefits	0
2308-Other Pensions - Past Service Liability	0
2310-Vested Sick Leave Liability	0
2315-Accumulated Provision for Rate Refunds	0
2320-Other Miscellaneous Non-Current Liabilities	0
2325-Obligations Under Capital Lease--Non-Current	0
2330-Devolpment Charge Fund	0
2335-Long Term Customer Deposits	109,391
2340-Collateral Funds Liability	998,173
2345-Unamortized Premium on Long Term Debt	0
2348-O.M.E.R.S. - Past Service Liability - Long Term Portion	0
2350-Future Income Tax - Non-Current	(508,610)
2405-Other Regulatory Liabilities	0
2410-Deferred Gains From Disposition of Utility Plant	0
2415-Unamortized Gain on Reacquired Debt	0
2425-Other Deferred Credits	38,597
2440-Deferred Revenues	2,274,604

1700-Non-Current Liabilities Total	**2,912,155**

1800-Long-Term Debt	
2505-Debentures Outstanding - Long Term Portion	0
2510-Debenture Advances	0
2515-Required Bonds	0
2520-Other Long Term Debt	0
2525-Term Bank Loans - Long Term Portion	5,573,513
2530-Ontario Hydro Debt Outstanding - Long Term Portion	0
2550-Advances from Associated Companies	5,782,746
1800-Long-Term Debt Total	**11,356,259**

1850-Shareholders' Equity	
3005-Common Shares Issued	5,782,847
3008-Preference Shares Issued	2,400,000
3010-Contributed Surplus	70,721
3020-Donations Received	0
3022-Devolpment Charges Transferred to Equity	0
3026-Capital Stock Held in Treasury	0
3030-Miscellaneous Paid-In Capital	0
3035-Installments Received on Capital Stock	0
3040-Appropriated Retained Earnings	0
3045-Unappropriated Retained Earnings	226,359
3046-Balance Transferred From Income	981,984
3047-Appropriations of Retained Earnings - Current Period	0
3048-Dividends Payable-Preference Shares	0
3049-Dividends Payable-Common Shares	(426,690)
3055-Adjustment to Retained Earnings	0
3065-Unappropriated Undistributed Subsidiary Earnings	0
1850-Shareholders' Equity Total	**9,035,222**

Total Liabilities & Shareholder's Equity	**28,482,421**

Balance Sheet Total	(0)

Attachment 1.9.1 (a)

Copy of the resolution of the Town of Grimsby authorizing the amalgamation

NIAGARA POWER INC.

RESOLUTION OF SHAREHOLDERS

WHEREAS The Corporation of the Town of Grimsby (the "Town") and FortisOntario Inc. ("Fortis") are the sole shareholders of Niagara Power Inc. ("NPI") (the Town and Fortis, the "Shareholders");

AND WHEREAS Grimsby Power Inc. ("Grimsby Power") and Niagara West Transformation Corporation ("NWTC") are wholly-owned subsidiaries of NPI;

AND WHEREAS the directors of NPI have approved the proposed amalgamation (the "Amalgamation") of Grimsby Power and NWTC following the transfer by NPI of all of its non-regulated businesses to another subsidiary of NPI;

AND WHEREAS the Amalgamation is subject to approval by the Ontario Energy Board pursuant to section 86 of the *Ontario Energy Board Act, 1998* and the Ontario Energy Board's Preliminary Filing Requirements for Mergers, Acquisitions, Amalgamations and Divestitures in the Ontario Electricity Transmission and Distribution Sector;

AND WHEREAS FortisOntario has proposed to contribute $300,000 of additional capital in respect of the 10 Class B Preferred Shares of NPI (the "Class B Shares") that it holds with such amount being added to the stated capital of the Class B Shares without issuance of any new Class B Shares ("Fortis Investment"), in recognition of the expanded business of Grimsby Power;

AND WHEREAS the Town and Fortis have approved proceeding with the Amalgamation and the Fortis Investment.

BE IT RESOLVED THAT:

The Shareholders approve proceeding with the Amalgamation and Fortis Investment.

Dated the _____ day of , 2014.

THE CORPORATION OF THE TOWN OF GRIMSBY

By: ____________________________

FORTISONTARIO INC.

By: ____________________________

Attachment 1.9.1 (b)

Copy of the resolution of FortisOntario authorizing the amalgamation

NIAGARA POWER INC.

RESOLUTION OF SHAREHOLDERS

WHEREAS The Corporation of the Town of Grimsby (the "Town") and FortisOntario Inc. ("Fortis") are the sole shareholders of Niagara Power Inc. ("NPI") (the Town and Fortis, the "Shareholders");

AND WHEREAS Grimsby Power Inc. ("Grimsby Power") and Niagara West Transformation Corporation ("NWTC") are wholly-owned subsidiaries of NPI;

AND WHEREAS the directors of NPI have approved the proposed amalgamation (the "Amalgamation") of Grimsby Power and NWTC following the transfer by NPI of all of its non-regulated businesses to another subsidiary of NPI;

AND WHEREAS the Amalgamation is subject to approval by the Ontario Energy Board pursuant to section 86 of the *Ontario Energy Board Act, 1998* and the Ontario Energy Board's Preliminary Filing Requirements for Mergers, Acquisitions, Amalgamations and Divestitures in the Ontario Electricity Transmission and Distribution Sector;

AND WHEREAS FortisOntario has proposed to contribute $300,000 of additional capital in respect of the 10 Class B Preferred Shares of NPI (the "Class B Shares") that it holds with such amount being added to the stated capital of the Class B Shares without issuance of any new Class B Shares ("Fortis Investment"), in recognition of the expanded business of Grimsby Power;

AND WHEREAS the Town and Fortis have approved proceeding with the Amalgamation and the Fortis Investment.

BE IT RESOLVED THAT:

The Shareholders approve proceeding with the Amalgamation and Fortis Investment.

Dated the 10th day of October, 2014.

THE CORPORATION OF THE TOWN OF GRIMSBY

By: ______________________________

FORTISONTARIO INC.

By: ______________________________

Attachment 1.9.1(c)

Forms of the resolutions of the directors of GPI and of the directors of NWTC authorizing the amalgamation

These directors' resolutions will be executed following OEB approval of the proposed amalgamation

GRIMSBY POWER INC.
(the "Corporation")

RESOLUTION OF THE DIRECTORS

Amalgamation

WHEREAS the parent of the Corporation is Niagara Power Inc. ("**NPI**"), and Niagara Power Inc. is also the parent of Niagara West Transformation Corporation (the **"Secondary Corporation"**);

AND WHEREAS the Corporation wishes to amalgamate with the Secondary Corporation under the Business Corporations Act (Ontario) (the "**Act**") and continue under the name Grimsby Power Inc. subject to the prior restructuring and transfer of non-regulated businesses from NPI to the Town of Grimsby;

RESOLVED that

1. the Corporation amalgamate with the Secondary Corporation and continue as one corporation (the **"Amalgamated Corporation"**) under subsection 177(2) of the Act;

2. except as may be prescribed, the articles of amalgamation of the Amalgamated Corporation be the same as the articles of the Corporation;

3. the by-laws of the Amalgamated Corporation be the same as the by-laws of the Corporation;

4. on the issuance of a Certificate of Amalgamation under subsection 178(4) of the Act:

   (a) all shares of the Secondary Corporation be cancelled without any repayment of capital; and

   (b) the stated capital of the Secondary Corporation be added to the stated capital of the Corporation; and

5. any director or officer of the Corporation is authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary, desirable or useful to carry out and give effect to the amalgamation of the Corporation and the Secondary Corporation and to this resolution.

[NEXT PAGE IS THE SIGNATURE PAGE]

THE FOREGOING RESOLUTION is consented to by all the directors of the Corporation pursuant to the Business Corporations Act (Ontario), as evidenced by their respective signatures hereto.

DATED as of the day of , 2014.

____

____

____

NIAGARA WEST TRANSFORMATION CORPORATION
(the "Corporation")

RESOLUTION OF THE DIRECTORS

Amalgamation

WHEREAS the parent of the Corporation is Niagara Power Inc. ("**NPI**"), and Niagara Power Inc. is also the parent of Grimsby Power Inc. (the **"Primary Corporation"**);

AND WHEREAS the Corporation wishes to amalgamate with the Primary Corporation under the Business Corporations Act (Ontario) (the "**Act**") and continue under the name Grimsby Power Inc. subject to the prior restructuring and transfer of non-regulated businesses from NPI to the Town of Grimsby;

RESOLVED that

1. the Corporation amalgamate with the Primary Corporation and continue as one corporation (the **"Amalgamated Corporation"**) under subsection 177(2) of the Act;

2. except as may be prescribed, the articles of amalgamation of the Amalgamated Corporation be the same as the articles of the Primary Corporation;

3. the by-laws of the Amalgamated Corporation be the same as the by-laws of the Primary Corporation;

4. on the issuance of a Certificate of Amalgamation under subsection 178(4) of the Act:

    (a) all shares of the Corporation be cancelled without any repayment of capital; and

    (b) the stated capital of the Corporation be added to the stated capital of the Primary Corporation; and

5. any director or officer of the Corporation is authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary, desirable or useful to carry out and give effect to the amalgamation of the Corporation and the Primary Corporation and to this resolution.

[NEXT PAGE IS THE SIGNATURE PAGE]

THE FOREGOING RESOLUTION is consented to by all the directors of the Corporation pursuant to the Business Corporations Act (Ontario), as evidenced by their respective signatures hereto.

DATED as of the day of , 2014.

____

____

____