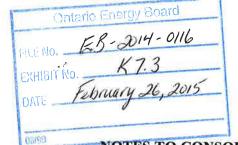
K7.3





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

[all tabular amounts in thousands of Canadian dollars]

unsecured debt securities of up to \$1,500,000,000 during the 25-month period following the date of the prospectus [note 13].

12. RESTRUCTURING

In the first quarter of 2012, the Corporation's Board of Directors approved a workforce restructuring program aimed at reducing operating expenditures for LDC. The program was approved following the decision by the OEB to deny the request of LDC to set its electricity distribution rates for 2012, 2013 and 2014 under the cost of service framework. In preparing its revised application using the IRM framework, LDC concluded that significant cost reductions were necessary to manage its business within the confines of the expected allowed electricity distribution rates provided by the IRM framework [note 3[a]]. The main component of these operating cost reduction initiatives was a workforce restructuring program, which included the severance of management employees and a voluntary exit incentive program for targeted unionized positions.

For the year ended December 31, 2013, the costs incurred as a result of these operating cost reduction initiatives amounted to \$nil [2012 - \$27,796,000] and were comprised of ongoing termination charges of \$nil and one-time termination incentive charges of \$nil [2012 - \$23,668,000 and \$4,128,000, respectively], of which \$nil remains unpaid as at December 31, 2013 [December 31, 2012 - \$11,954,000].

13. DEBENTURES

Debentures consist of the following:

	2013 S	2012 S
Senior unsecured debentures		
Series 1 – 6.11% due May 7, 2013	_	225,000
Series 2 – 5.15% due November 14, 2017	250,000	250,000
Series 3 – 4.49% due November 12, 2019	250,000	250,000
Series 5 – 6.11% due May 6, 2013	-	245,057
Series 6 – 5.54% due May 21, 2040	200,000	200,000
Series 7 – 3.54% due November 18, 2021	300,000	300,000
Series 8 – 2.91% due April 10, 2023	250,000	
Series 9 – 3.96% due April 9, 2063	200,000	_
Total debentures	1,450,000	1,470,057
Less: Unamortized discount/premium	668	467
Less: Current portion of debentures		470,050
Long-term portion of debentures	1,449,332	999,540

All debentures of the Corporation rank equally.

On April 9, 2013, the Corporation issued \$250,000,000 of 2.91% senior unsecured debentures due April 10, 2023 ["Series 8"] and \$200,000,000 of 3.96% senior unsecured debentures due April 9, 2063 ["Series 9"]. The Series 8 and Series 9 debentures bear interest payable semi-annually in arrears. The net proceeds of the debentures were used to repay the Corporation's Series 1 and Series 5 debentures which matured on May 7, 2013 and May 6, 2013, respectively. Debt issuance costs of \$2,694,000 relating to the Series 8 and Series 9 debentures were deferred as other assets in the second quarter of 2013.